

TOWN OF BEL AIR, MARYLAND

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2018

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JUNE 30, 2018

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	19
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Fund	
Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures and Changes	
in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Statement of Activities	25
General Fund:	
Statement of Revenues and Expenditures – Budget and Actual	
(Non-GAAP Budgetary Basis)	26
Special Revenue Fund:	
Statement of Revenues and Expenditures – Budget and Actual	
(Non-GAAP Budgetary Basis)	27
Proprietary Funds:	
Statement of Net Position (Enterprise Funds)	28
Statement of Revenues, Expenses and Change in	
Net Position (Enterprise Funds).....	29
Statement of Cash Flows (Enterprise Funds).....	30
Fiduciary Funds:	
Statement of Fiduciary Net Position	31
Statement of Changes in Fiduciary Net Position	32
Notes to Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION.....	69
Schedule of Changes in Net OPEB Liability and Related Ratios.....	70
Schedule of Funding Progress and Contribution – OPEB	71
Schedule of Changes in Pension Fund Net Pension Liability and Related Ratios	72
Schedule of Civilian Employees Pension Plan Employer Contributions	74
Schedule of Sworn Officers Pension Plan Employer Contributions	75
SUPPLEMENTARY INFORMATION.....	76
Schedule of Cash and Cash Equivalents – General Fund	77
Schedule of Revenues and Expenditures – Budget	
(Non-GAAP Budgetary Basis) and Actual – General Fund	78
Schedule of Revenues and Expenditures – Budget	
(Non-GAAP Budgetary Basis) and Actual – Special Revenue Fund.....	83
Schedule of Revenues and Expenditures Compared to Budget – Parking Fund.....	85
Schedule of Revenues and Expenditures Compared to Budget – Sewer Fund.....	86



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Commissioners of the
Town of Bel Air, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bel Air, Maryland (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Emphasis of Matter

As discussed in Note 17 to the financial statements, during the year ended June 30, 2018, the Town adopted new accounting guidance from the Governmental Accounting Standards Board, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net OPEB liability and related ratios, schedule of contributions – OPEB, schedules of changes in pension fund net pension liability and related ratios, schedule of civilian employees pension plan employer contributions, and schedule of sworn officers pension plan employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of cash and cash equivalents - general fund and the schedules of revenues and expenditures - budget and actual, as listed in the accompanying table of contents (collectively, the supplemental information), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hunt Valley, Maryland
December 27, 2018

A handwritten signature in black ink that reads "SB & Company, LLC".

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

As management of the Town of Bel Air, Maryland ("the Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year that ended June 30, 2018. We encourage readers to use this information in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Government-wide:

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows as of June 30, 2018, by \$13,987,322 (net position). Approximately 30.9% of this amount is attributable to the business-type activities. Of the total net position, (\$96,671) (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. Unrestricted net position in the business-type activities is a positive \$2,240,392, while the governmental activities show (\$2,337,063) due to the additional recording of the net OPEB liability. Of the remaining total net position, \$1,908,464 is restricted for specific purposes (restricted net position), and \$12,175,529 is invested in capital assets, net of related debt.
- The Town's overall financial position declined with total net position decreasing by \$505,022 during the fiscal year. Net position for governmental and business-type activities decreased \$623,272 and increased \$118,250, respectively.
- The Town has recorded a net pension liability of \$2,202,740 and related deferred outflows of \$526,195 and deferred inflows of \$1,960,080 in the Statement of Net Position. This resulted in a decrease of \$453,921 in net position from 2017.

Fund Level:

- As of June 30, 2018, the Town's governmental funds reported a combined ending fund balance of \$5,581,711, an increase of \$442,577 in comparison with the prior year. Of this total amount, \$5,486,572 or 98.3% is available to meet the Town's current and future needs as mandated by the appropriate level of authority within the Town and are properly designated as committed, assigned, and unassigned.
- As of June 30, 2018, the assigned and unassigned fund balance for the General Fund (primary operating fund) was \$3,732,778 or 27.5% of total General Fund expenditures.
- In fiscal year 2018, the Town transferred a net \$185,070 to the General Fund Capital Reserve account and a net \$115,136 to the General Fund Leave Payout Reserve account.
- As of June 30, 2018, the Town's business-type operating activities reported net position of \$4,317,446, an increase of \$118,250 in comparison with the prior year. Of the total amount, \$2,240,392 is unrestricted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Long-Term Debt:

The Town's long-term debt increased \$622,970 or 9.3% during the current fiscal year. The increase was the net result of making \$176,226 in scheduled payments, a \$100,628 increase in compensated absences/OPEB liability, a \$453,921 decrease in net pension liability, and a \$1,355,701 increase in new debt proceeds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary and non-required supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements mentioned above distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, recreation and culture, miscellaneous, and debt service. The business-type activities of the Town include Parking and Sewer operations. The government-wide financial statements include only the Town of Bel Air because the Town has no component unit relationships with any other entity. The government-wide financial statements can be found by referring to the table of contents which begins on page 1 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By so doing, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town maintains two individual governmental funds, the general fund and the special revenue fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for both of the governmental funds.

The Town adopts an annual appropriated budget for both of its individual governmental funds. A budgetary comparison statement has been provided for the major fund, General, and the one non-major fund, Special Revenue, to demonstrate compliance with this budget. The basic governmental fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

Proprietary funds. The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the governmental-wide financial statements. The Town uses enterprise funds to account for its Parking and Sewer activities. The basic proprietary fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found by referring to the table of contents which begins on page 1 of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Notes to financial statements. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements are part of the basic financial statements and can be found by referring to the table of contents which begins on page 1 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplemental information*. This information can be found by referring to the table of contents which begins on page 1 of this report.

Government-wide Financial Analysis

The Town's financial statements are prepared in conformity with the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. MD&A includes prior fiscal year results for the purpose of providing comparative information.

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$13,987,322 as of June 30, 2018. The Town of Bel Air's net position is divided into three categories - invested in capital assets (net of related debt), restricted net position, and unrestricted net position.

The largest portion of the Town's net position is in investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles, infrastructure, and sewer system), less any related debt used to acquire those assets and accumulated depreciation. As of June 30, 2018, capital assets were valued at \$12,175,529, net of related debt and accumulated depreciation or 87.04% of total net position. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The balance of unrestricted net position as of June 30, 2018, was (\$96,671) or (.68)% of total net position and may be used to meet the government's ongoing obligations to citizens and creditors. The balance of restricted net position as of June 30, 2018, was \$1,908,464 or 13.64% of total net position and are resources that are subject to external restrictions on how they may be used.

For the fiscal year ended June 30, 2018, the Town reported positive balances in net investment in capital assets and restricted, but a negative balance in unrestricted. The Town reported positive balances in all three categories for the business-type activities separately; however, governmental activities reported a negative balance in unrestricted net position due to the new recording of the net OPEB liability. The following tables reflect the condensed statement of net position and the schedule of changes in net position for governmental and business-type activities after the restatement:

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and other assets	\$ 6,711,571	\$ 5,916,042	\$ 3,214,184	\$ 2,855,659	\$ 9,925,755	\$ 8,771,701
Capital assets	10,864,342	10,922,175	3,675,945	3,734,903	14,540,287	14,657,078
Total assets	<u>17,575,913</u>	<u>16,838,217</u>	<u>6,890,129</u>	<u>6,590,562</u>	<u>24,466,042</u>	<u>23,428,779</u>
Deferred outflows of resources-pensions/OPEB	<u>2,195</u>	<u>807,379</u>	<u>-</u>	<u>-</u>	<u>2,195</u>	<u>807,379</u>
Liabilities						
Other liabilities	748,881	468,407	962,082	578,736	1,710,963	1,047,143
Long-term liabilities	5,723,271	4,076,593	1,610,601	1,812,630	7,333,872	5,889,223
Total liabilities	<u>6,472,152</u>	<u>4,545,000</u>	<u>2,572,683</u>	<u>2,391,366</u>	<u>9,044,835</u>	<u>6,936,366</u>
Deferred inflows of resources-pensions	<u>1,436,080</u>	<u>1,985,769</u>	<u>-</u>	<u>-</u>	<u>1,436,080</u>	<u>1,985,769</u>
Net Position						
Net investment in capital assets	10,181,072	10,538,839	1,994,457	2,011,036	12,175,529	12,549,875
Restricted	1,825,867	1,504,893	82,597	133,091	1,908,464	1,637,984
Unrestricted	<u>(2,337,063)</u>	<u>(928,905)</u>	<u>2,240,392</u>	<u>2,055,069</u>	<u>(96,671)</u>	<u>1,126,164</u>
Total net position	<u>\$ 9,669,876</u>	<u>\$ 11,114,827</u>	<u>\$ 4,317,446</u>	<u>\$ 4,199,196</u>	<u>\$ 13,987,322</u>	<u>\$ 15,314,023</u>

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,212,006	\$ 1,173,511	\$ 3,223,124	\$ 3,053,583	\$ 4,435,130	\$ 4,227,094
Operating grants/ contributions	263,632	277,636	-	-	263,632	277,636
Capital grants/ contributions	692,394	108,165	-	-	692,394	108,165
General revenues:						
Property taxes	7,925,777	7,755,192	-	-	7,925,777	7,755,192
Shared taxes	2,472,451	2,487,977	-	-	2,472,451	2,487,977
Miscellaneous	811,102	727,275	-	-	811,102	727,275
Unrestricted investment earnings	97,655	55,906	1,625	1,359	99,280	57,265
Total revenues	13,475,017	12,585,662	3,224,749	3,054,942	16,699,766	15,640,604
Expenses						
General government	3,454,531	2,619,203	-	-	3,454,531	2,619,203
Public safety	3,957,066	3,813,011	-	-	3,957,066	3,813,011
Public works	3,666,260	3,106,026	-	-	3,666,260	3,106,026
Recreation and culture	223,739	203,013	-	-	223,739	203,013
Miscellaneous	2,767,718	2,822,628	-	-	2,767,718	2,822,628
Interest on long-term debt	28,975	11,336	-	-	28,975	11,336
Sewer	-	-	2,246,968	1,983,226	2,246,968	1,983,226
Parking facilities	-	-	859,531	464,866	859,531	464,866
Total expenditures	14,098,289	12,575,217	3,106,499	2,448,092	17,204,788	15,023,309
Change in net position	(623,272)	10,445	118,250	606,850	(505,022)	617,295
Net position, beginning as restated	10,293,148	11,104,382	4,199,196	3,592,346	14,492,344	14,696,728
Net position, ending	\$ 9,669,876	\$ 11,114,827	\$ 4,317,446	\$ 4,199,196	\$ 13,987,322	\$ 15,314,023

Governmental activities

Governmental net position decreased by \$623,272 mainly due to the recognition of the net OPEB liability. Property taxes, shared taxes, and charges for services represent 58.8%, 18.3%, and 9.0% of the Town's revenue stream, respectively. The remaining 13.9% of governmental revenue consists of grants, contributions, investment earnings, and other miscellaneous revenues.

The entity wide statements show that the Town's total revenue from governmental activities in fiscal year 2018 was \$13,475,017 which is \$889,355 higher than the previous year. Revenues in capital grants/contributions increased \$584,229 due to receiving the Community Legacy grant for the Amory Marketplace project and a Department of Natural Resources Grant for the Plumtree Run project. Revenues in property taxes increased \$170,585 mainly due to an increase in real property taxes.

TOWN OF BEL AIR, MARYLAND

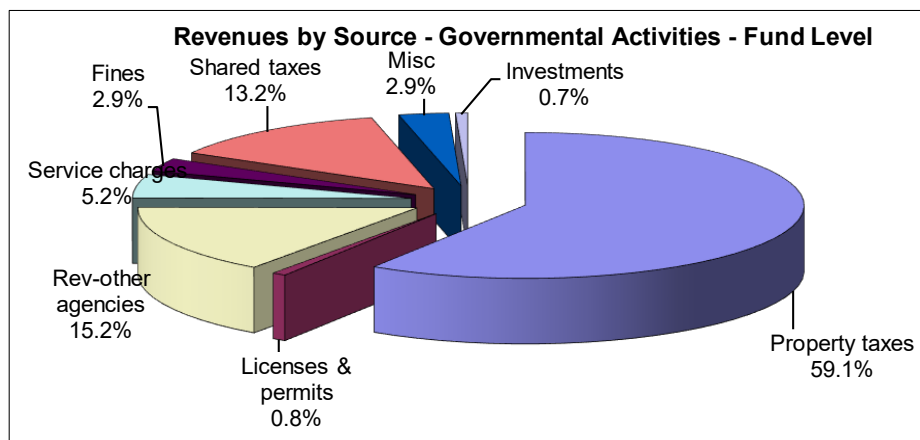
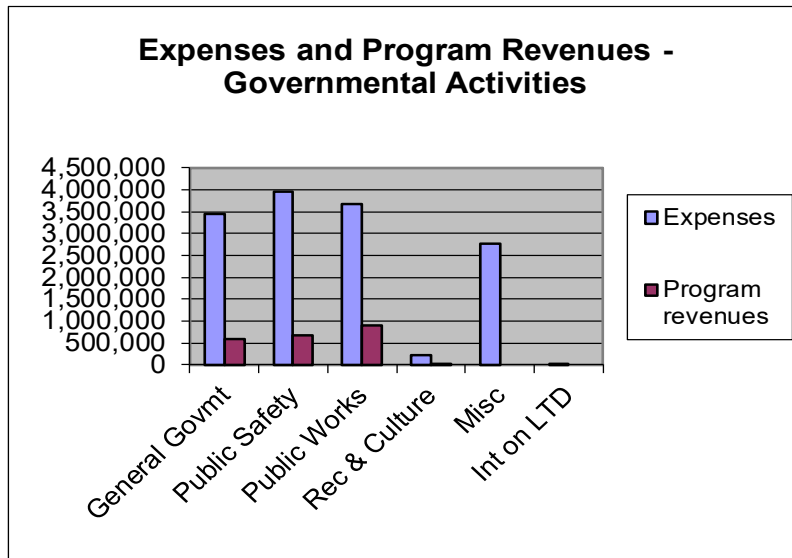
MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2018

Investment earnings increased entity wide. The State of Maryland investment pool, in which the average maturity is less than 45 days and all investments are guaranteed fully by the Federal Government, average interest rate during the fiscal year was 1.34% compared to .56%. In fiscal year 2018, the Town utilized the CDARS program as well as investing in certificates of deposit and money market accounts at Maryland banks more in order to take advantage of higher investment rates. As of June 30, 2018, the Town held \$3,265,000 in various certificates of deposit with rates ranging from .60% to 1.75% and maturities no longer than 12-months.

Governmental activities

Governmental expenses were \$14,098,289 in fiscal year 2018, an increase of \$1,523,072 or 12.1%. Public safety and public works are the two largest functional areas comprising 54.1% of all governmental expenses in fiscal year 2018. Public safety represents 28.1% of governmental expenses, while public works represents 26.0%. Both departments showed increases in expenses totaling \$704,289.



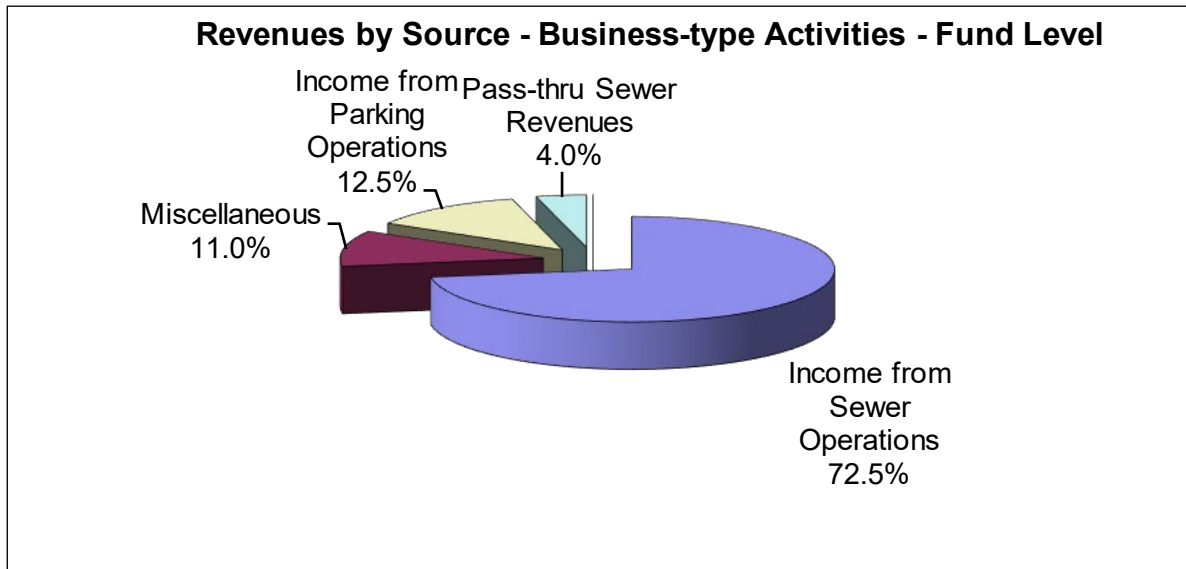
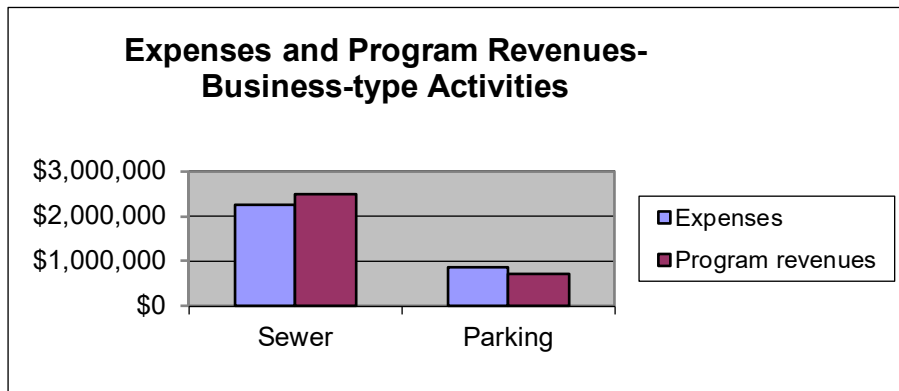
TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Business-type activities

The Town operates two business-type enterprise funds, Parking and Sewer. Business-type net position increased by \$118,250 overall with the Parking Fund decreasing \$131,667 and the Sewer Fund increasing by \$249,917. The Town anticipated the Parking Fund expenses to be more than the revenues due to utilizing a portion of its retained earnings to fund the signage and the electrical conduit projects in the parking garage. The increase in the sewer fund is due to a lower than anticipated rate per 1,000 as well as less flows to treat the Town's sewage by Harford County.



TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on current inflows, outflows, and balances of available, *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *committed, assigned, and unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the Town's governmental funds (general fund and special revenue fund) reported a combined ending fund balance of \$5,581,711, an increase of \$442,577 in comparison with the prior year. Approximately 98.3% of this total amount \$5,486,572 constitutes *committed, assigned, and unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *nonspendable and restricted* to indicate that it is not available for new spending because it has already been dedicated for prepaids. The *nonspendable and restricted fund balance*, at 1.7% of total fund balance, does not significantly affect the availability of fund resources for future use.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, assigned and unassigned fund balance of the General Fund was \$3,732,778, while total fund balance was \$5,296,772. As a measure of the General Fund's liquidity, it may be useful to compare both assigned and unassigned fund balance and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 27.5% of total General Fund expenditures, while total fund balance represents 39.0% of that same amount.

The Town's General Fund total fund balance increased by \$429,201 during the current fiscal year. This was a result of receiving more revenues than anticipated and expending less with regard to a few large projects.

The Special Revenue Fund has a total fund balance of \$284,939 which increased slightly.

Proprietary funds. The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the Parking Fund and the Sewer Fund was \$2,236,703 and \$2,080,743, respectively, and decreased \$131,667 in the Parking Fund, and increased by \$249,917 in the Sewer Fund.

Fiduciary funds. The Town maintains two pension funds: 1) Sworn Officers' Pension Trust and 2) Civilian Pension Trust. The Sworn Officers' Pension Trust is a single employer defined benefit pension plan administered by the Town with responsibility for the administration and operation of the Plan vested with a five member Board of Trustees. The Civilian Pension Trust includes the Civilian Employees Pension Trust and funds remaining in the ICMA Retirement Trust. The Civilian Employees Pension Trust is a single employer defined benefit pension plan administered by the Town with responsibility for the administration and operation of the Plan vested with a ten member Board of Trustees. Both defined benefit pension plans provide pension and death and disability benefits to full-time plan members and beneficiaries.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The Town implemented GASB 67, Financial Reporting for Pension Plans in 2014 and GASB 68, Accounting and Financial Reporting for Pensions in 2015. GASB 67 required the use of the entry age normal actuarial valuation method to determine the total pension liability.

The net position of the Sworn Officers' Pension Trust and the Civilian Pension Trust increased \$768,264 or 11.2%, and \$679,109 or 10.3%. The increases in both trusts were due to a net increase in the fair value of investments.

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees. The net position of the OPEB Trust increased \$55,641 or 17.4% due to an increase in the fair value of investments as well as an employer contribution.

The Town implemented GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans in fiscal year 2017, and GASB 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans in fiscal year 2018.

General Fund Budgetary Highlights

The final amended budget to the General Fund resulted in an increase of \$109,808 from the amended budget in March, 2018. The significant revenue and expenditure change was to fund the purchase of a new financial software package totaling \$85,855 which was funded from the capital reserve.

The Town amended the budget in March, 2018 after its normal mid-year budget review. The general fund budget was increased \$812,300. The significant revenue change was to budget for the bond proceeds for the energy performance contract in the amount of \$873,238, and the significant expenditure change was an increase of the same in Town Buildings for the project itself.

At the end of the year, revenues and other financing sources were more than budgetary estimates by \$214,356 and expenditures were \$251,265 less than anticipated. The following revenues were the main drivers for the excess revenues: state shared income taxes (\$65,000), interest on investments (\$35,000), red light camera tickets (\$29,000), state shared admission and amusement taxes (\$24,000), and equipment/vehicle sale proceeds (\$22,000). The following expenditures departments were the main drivers for the lower expenditures: Armory (\$27,000), Town buildings (\$26,000), Administration (\$18,000), Benefits (\$14,000), and Public Works (\$43,000).

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets net of accumulated depreciation for its governmental and business-type activities as of June 30, 2018 was \$14,540,287. This investment in capital assets includes land, buildings, improvements, machinery, equipment, furniture, fixtures, vehicles, infrastructure, and sewer system. The total decrease in capital assets for the current fiscal year was .80%, comprised of a .53% decrease in governmental activities and a 1.58% decrease for business-type activities.

The following table displays the Town's capital assets. Additional information can be found in Note 6 in the notes to the financial statements of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

	CAPITAL ASSETS					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 4,641,308	\$ 4,641,308	\$ 777,518	\$ 777,518	\$ 5,418,826	\$ 5,418,826
Buildings and improvements	6,183,730	6,002,132	3,206,000	3,206,000	9,389,730	9,208,132
Infrastructure	1,533,899	1,495,899	-	-	1,533,899	1,495,899
Machinery and equipment	1,104,736	1,134,802	485,375	402,521	1,590,111	1,537,323
Furniture and fixtures	1,337,206	1,285,791	-	-	1,337,206	1,285,791
Vehicles	3,161,073	2,943,016	350,104	365,418	3,511,177	3,308,434
Parking improvements	-	-	456,647	446,147	456,647	446,147
Sewer system	-	-	1,832,292	1,785,292	1,832,292	1,785,292
Accumulated depreciation	<u>(7,097,610)</u>	<u>(6,580,773)</u>	<u>(3,431,991)</u>	<u>(3,247,993)</u>	<u>(10,529,601)</u>	<u>(9,828,766)</u>
Total	<u>\$10,864,342</u>	<u>\$10,922,175</u>	<u>\$ 3,675,945</u>	<u>\$ 3,734,903</u>	<u>\$14,540,287</u>	<u>\$14,657,078</u>

Major capital asset events during the year ending June 30, 2018 included the following:

- The Town renovated the Finance Department and the Administration Department as well as constructing a new vestibule entrance to Town Hall (\$151,645).
- The Town added a new rubber roof membrane system over the administration offices at Town Hall (\$21,585).
- The Town contracted to install a new all steel hexagon shelter at Shamrock Park (\$21,085).
- A replacement vehicle was purchased for the Town Administrator (\$31,092).
- The Police Department purchased three new replacement vehicles (\$94,036).
- The Public Works Department purchased a replacement crew cab truck (\$41,085) and a replacement dump truck (\$159,389).
- The Public Works Department contracted to have new handicap ramps installed (\$38,000).
- The Town contracted a new sculpture located near the Hickory Garage (\$9,000).
- The Town either sold the following major assets at various public auctions, used a trade-in at purchase, or scrapped them, and all were removed from the Town's capital assets: three public works vehicles (\$42,900), a public works sweeper (\$16,099), a public works above ground fuel tank (\$16,662), a public works dump truck (\$72,082), a sewer vehicle (\$26,524) and a sewer camera (\$8,495).
- In the Sewer Fund, a new main line sewer camera was purchased (\$87,399) and a major sewer pipe bursting of an 8" main was contracted in order to extend the life was completed (\$47,000).
- In the Parking Fund, the expansion of the Lee Street Parking Lot was completed (\$10,500).

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Debt administration. The Town's long-term debt as of June 30, 2018, was \$7,333,871. Of this amount, \$2,358,371 represents general obligation bonds in which the full faith and credit and unlimited taxing power of the Town are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. The remaining debt consists of notes for major equipment and vehicles totaling \$713,311, an obligation to the Liquor Control Board employees' retirement system of \$4,039, \$2,055,410, in compensated absences and OPEB liabilities from GASB #75, and \$2,202,740 in net pension liability resulting from GASB #68. The following table reflects the Town's long-term debt:

LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligations bonds	\$ 879,541	\$ -	\$ 1,478,830	\$1,683,786	\$2,358,371	\$1,683,786
Equipment/vehicle notes	683,270	383,336	30,041	40,081	713,311	423,417
Other notes	4,039	5,221	-	-	4,039	5,221
Net pension liability	2,202,740	2,656,661	-	-	2,202,740	2,656,661
Compensated absences / OPEB	1,953,681	1,853,053	101,729	88,763	2,055,410	1,941,816
Total	\$5,723,271	\$4,898,271	\$ 1,610,600	\$1,812,630	\$7,333,871	\$6,710,901

The Town's total long-term debt for governmental activities, which includes a restatement of the OPEB liability at July 1, 2017 in the amount of \$821,678, increased \$825,000 and decreased \$202,030 for business-type activities. During the year, \$464,967 in debt was retired. During the fiscal year, the Town entered into a new \$968,754 fifteen-year general obligation bond, \$896,161 in the General Fund and \$72,563 in the Parking Fund, for an energy performance contract to Town facilities and street lights. The Town also entered into a new \$459,510 seven-year term note for the public purpose of purchasing General Fund vehicles.

The amount of general obligation debt the Town may issue is limited by the Town's charter. The Town may issue bonds as long as the total bonded indebtedness of the Town does not exceed 6% of the assessed value of real and personal property. As of June 30, 2018, the debt limitation is \$86,913,740, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7 in the notes to the financial statements of this report.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Economic Factors and Fiscal Year 2019's Budgets and Rates

- The State of Maryland Assessments and Taxation Department completed its triennial assessment for Town residents effective beginning in fiscal year 2018, which assesses the Town every third year, along with a cap of 10% on residential properties. During the next fiscal year, the Town expected a very slight assessment increase, 1.2% due to the improving real estate values locally.
- In fiscal year 2019, the Town will not offer a discount on early real and personal property taxes in order to fund a School Resource Officer position.
- Income tax revenues are projected to remain flat over the 2018 budget revenues based on information provided by the Comptroller's office.
- Highway user revenues are projected to decrease over the 2018 budget revenues due to the loss of a business in Town with thousands of vehicle registrations. This will be the sixth year in a row that the state has awarded the Town a one-time grant which will be used to fund a capital improvement program project.
- Police protection grant from the state is projected to remain relatively flat.
- The Harford County tax rebate is projected to increase \$97,745 due to the formula finally catching up to the increase in property assessments years ago in the calculation.
- With anticipating slight interest rate increases, the Town's interest on investments is budgeted to increase \$7,000.
- The Bel Air Alliance anticipates receiving \$25,000 in grant funds to fund 50% of the cost for the Town to continue its wayfinding signage project for directional signage in the downtown area and approaches at a cost of \$50,000.
- The Town plans on financing its equipment/vehicle purchases in fiscal year 2019 in the amount of \$382,000.
- The Town appropriated \$188,000 in funds from the capital reserve to fund the remaining cost of the finance department's new financial software system and to fund the construction of a new storage shed.
- All Town employees received a merit (step) salary increase and a 1% COLA.
- The Town budgeted \$130,000 for various building maintenance or capital projects to include the design and construction of a new storage facility to be located at the Public Works site.
- Since there is no election in November, 2018, funds were not budgeted.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- The Planning Department included \$47,500 to be used for directional signage in the downtown area and approaches which is the third phase of the implementation of the Wayfinding Study.
- The Planning Department included \$10,000 for the installation of two electronic vehicle charging stations in the Hickory Garage in partnership with the County and State.
- The Planning Department included \$55,000 for improvements for the first phase of the design, engineering, and construction costs to open a third east bound lane to relieve traffic and queuing issues for drivers existing Marketplace and heading north on MD Route 24.
- The Technology Department budgeted approximately \$84,350 for one-time expenditures.
- The Town's worker's compensation modification rate decreased significantly from a 1.06 premium to a .57 discount due to low claims and experience for the last completed fiscal years.
- The Town budgeted \$57,000 to fully fund its Other Postemployment Benefits Other Than Pensions (OPEB). This contribution was increased by \$10,000 due to the latest valuation.
- The Town's health insurance premiums remained the same from fiscal year 2018.
- The Town's energy reducing measures in the performance contract were almost 100% complete at fiscal year-end, and the Town begin paying debt service on the G.O. Bond which is budget neutral from the savings from the various utilities.
- The Police Department budgeted for a new School Resource Officer in fiscal year 2018 as well as the purchase of three replacement vehicles (\$87,000).
- The Department of Public Works included \$84,000 to fund the costs associated with the Town's MS4 storm water management program.
- The Department of Public Works budgeted to purchase a replacement low cab truck in the amount of \$70,000.
- The Public Works Department budgeted \$300,000 in fill-in sidewalk, street, sidewalk, curb ramp, and curb/gutter construction work to be completed at specific locations.
- The Public Works Department budgeted \$60,000 to purchase a replacement tree/brush chipper.
- In the Special Revenue Fund, the Town has designated its current year of Community Development Block Grant (\$36,000) as well as a final loan payout of program income funding (\$18,456) to complete the ADA requirements for the Armory Marketplace parking lot.
- In the Special Revenue Fund, the Town included \$350,000 for a Community Legacy Grant it applied for which would fund the first phase of the Office Street/Courthouse Square project.

TOWN OF BEL AIR, MARYLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

All of these factors were considered in preparing the Town's budget for the 2019 fiscal year.

The real and personal property tax rates remain unchanged in fiscal year 2019 at the current real property tax rate of \$.50 per \$100 of assessed value and the personal property tax rate is \$1.16 per \$100 of assessed value.

The Sewer Fund user rate decreased \$.12 which was the result of reducing the rate \$.24 for the BNR charge that the County paid the final debt service payment in fiscal year 2018 as well as a \$.12 increase based on the Consumer Price Index of 2.1%. The base charge increased by the Consumer Price Index of 2.1%. A replacement small sewer jet truck is budgeted to be purchased in the amount of \$150,000.

In the Parking Fund, meter collection revenues were projected to increase slightly, while parking fines are projected to be \$18,554 higher based on the previous fiscal year. The lease fees were also projected to increase slightly; however, they remain to be at a post-recession level.

Requests for Information

This financial report is designed to provide a general overview of the Town of Bel Air's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Director of Finance, Town of Bel Air, 39 N. Hickory Avenue, Bel Air, Maryland 21014 or send an e-mail to lmood@belairmd.org.

FINANCIAL STATEMENTS

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position
June 30, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,118,113	\$ 570	\$ 4,118,683
Restricted cash and cash equivalents	592,143	215,824	807,967
Investments	3,265,000	-	3,265,000
Accounts receivable	721,693	720,304	1,441,997
Loan receivable - revolving loan fund	38,018	-	38,018
Loan receivable - The John Carroll School	-	26,493	26,493
Real and personal property taxes receivable	42,953	-	42,953
Accrued interest receivable	28,774	-	28,774
Internal balances	(2,118,189)	2,118,189	-
Prepaid expenses	23,066	-	23,066
Capital assets, not being depreciated	4,641,308	777,518	5,418,826
Capital assets, net of accumulated depreciation	6,223,034	2,898,427	9,121,461
Other assets	-	132,804	132,804
	<u>17,575,913</u>	<u>6,890,129</u>	<u>24,466,042</u>
Total assets			
	<u>2,195</u>	<u>-</u>	<u>2,195</u>
DEFERRED OUTFLOWS OF RESOURCES-OPEB			
	<u>2,195</u>	<u>-</u>	<u>2,195</u>
LIABILITIES			
Accounts payable	544,077	961,135	1,505,212
Accrued liabilities	187,824	-	187,824
Payroll withholdings	3,515	-	3,515
Deposits and other escrows held	7,373	-	7,373
Unearned revenue	6,092	947	7,039
Non-current liabilities:			
Due within one year	227,391	210,985	438,376
Due in more than one year	5,495,880	1,399,616	6,895,496
	<u>6,472,152</u>	<u>2,572,683</u>	<u>9,044,835</u>
Total liabilities			
	<u>1,436,080</u>	<u>-</u>	<u>1,436,080</u>
DEFERRED INFLOWS OF RESOURCES-PENSIONS			
	<u>1,436,080</u>	<u>-</u>	<u>1,436,080</u>
NET POSITION			
Net investment in capital assets	10,181,072	1,994,457	12,175,529
Restricted	1,825,867	82,597	1,908,464
Unrestricted	(2,337,063)	2,240,392	(96,671)
	<u>\$ 9,669,876</u>	<u>\$ 4,317,446</u>	<u>\$ 13,987,322</u>
TOTAL NET POSITION			

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Activities
Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
Governmental activities:							
General government	\$ 3,454,531	\$ 301,246	\$ 7,400	\$ 270,499	\$ (2,875,386)	\$ -	\$ (2,875,386)
Public safety	3,957,066	427,998	256,232	-	(3,272,836)	-	(3,272,836)
Public works	3,666,260	482,762	-	411,595	(2,771,903)	-	(2,771,903)
Recreation and culture	223,739	-	-	10,300	(213,439)	-	(213,439)
Miscellaneous	2,767,718	-	-	-	(2,767,718)	-	(2,767,718)
Interest on long-term debt	28,975	-	-	-	(28,975)	-	(28,975)
Total governmental activities	14,098,289	1,212,006	263,632	692,394	(11,930,257)	-	(11,930,257)
Business-type activities							
Sewer	2,246,968	2,495,266	-	-	-	248,298	248,298
Parking facilities	859,531	727,858	-	-	-	(131,673)	(131,673)
Total business-type activities	3,106,499	3,223,124	-	-	-	116,625	116,625
TOTAL PRIMARY GOVERNMENT	\$ 17,204,788	\$ 4,435,130	\$ 263,632	\$ 692,394	(11,930,257)	116,625	(11,813,632)
GENERAL REVENUES							
Taxes:							
Property taxes, levied for general purposes					7,925,777	-	7,925,777
Shared taxes					2,472,451	-	2,472,451
Miscellaneous					811,102	-	811,102
Unrestricted investment earnings					97,655	1,625	99,280
Total general revenues					11,306,985	1,625	11,308,610
CHANGE IN NET POSITION					(623,272)	118,250	(505,022)
NET POSITION, BEGINNING AS RESTATED					10,293,148	4,199,196	14,492,344
NET POSITION, ENDING					\$ 9,669,876	\$ 4,317,446	\$ 13,987,322

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Governmental Funds Balance Sheet
June 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 4,118,113	\$ -	\$ 4,118,113
Restricted cash and cash equivalents	485,213	106,930	592,143
Investments	3,265,000	-	3,265,000
Accounts receivable	623,124	98,569	721,693
Loan receivable - revolving loan fund	-	38,018	38,018
Accrued interest receivable	28,774	-	28,774
Property taxes receivable - net	42,953	-	42,953
Due from other funds	-	124,704	124,704
Prepaid costs	20,840	2,226	23,066
TOTAL ASSETS	<u>\$ 8,584,017</u>	<u>\$ 370,447</u>	<u>\$ 8,954,464</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 463,101	\$ 80,976	\$ 544,077
Accrued expenditures	185,182	-	185,182
Payroll withholdings	3,515	-	3,515
Deposits	7,373	-	7,373
Unearned revenue	6,092	-	6,092
Due to other funds	2,238,361	4,532	2,242,893
Total liabilities	<u>2,903,624</u>	<u>85,508</u>	<u>2,989,132</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	36,428	-	36,428
Unavailable revenue - income taxes	342,492	-	342,492
Unavailable revenue - highway user	4,701	-	4,701
Total deferred inflows of resources	<u>383,621</u>	<u>-</u>	<u>383,621</u>
FUND BALANCES			
Nonspendable	20,840	2,226	23,066
Restricted	-	72,073	72,073
Committed	1,543,154	128,275	1,671,429
Assigned	886,526	82,365	968,891
Unassigned	2,846,252	-	2,846,252
Total fund balances	<u>5,296,772</u>	<u>284,939</u>	<u>5,581,711</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,584,017</u>	<u>\$ 370,447</u>	<u>\$ 8,954,464</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (page 22)	\$ 5,581,711
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain receivables are offset by unavailable revenue in the governmental funds since they are not available to pay for current period expenditures. This is the amount of deferred inflows of resources related to these receivables.	383,621
Net deferred outflows and inflows of resources related to pensions/OPEB	(1,433,885)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$17,961,952 and the accumulated depreciation is \$7,097,610.	10,864,342
Noncurrent liabilities are not reported as liabilities in the governmental funds.	(5,723,271)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(2,642)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 20)	<u><u>\$ 9,669,876</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenditures and Changes In Fund Balances –
Governmental Funds
Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Taxes - local	\$ 7,919,510	\$ -	\$ 7,919,510
Taxes - state shared	1,770,235	-	1,770,235
Licenses and permits	108,005	-	108,005
Revenue from other agencies	1,379,800	652,399	2,032,199
Service charges for current services	700,539	-	700,539
Fines	384,034	-	384,034
Miscellaneous	386,457	104,253	490,710
Total revenues	<u>12,648,580</u>	<u>756,652</u>	<u>13,405,232</u>
EXPENDITURES			
General government	3,260,900	262,369	3,523,269
Public safety	3,935,661	12,334	3,947,995
Public works	3,240,959	405,600	3,646,559
Recreation and parks	155,766	67,973	223,739
Miscellaneous	2,767,718	-	2,767,718
Debt service:			
Principal	177,408	-	177,408
Interest	31,668	-	31,668
Total expenditures	<u>13,570,080</u>	<u>748,276</u>	<u>14,318,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(921,500)	8,376	(913,124)
OTHER FINANCING SOURCES			
Equipment/vehicle proceeds	459,510	-	459,510
Energy Performance bond proceeds	896,191	-	896,191
Total other financing sources	<u>1,355,701</u>	<u>-</u>	<u>1,355,701</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	434,201	8,376	442,577
FUND BALANCES, BEGINNING OF YEAR	4,867,571	271,563	5,139,134
TRANSFER (TO) FROM SPECIAL REVENUE FUND			
Art amenity reserve	<u>(5,000)</u>	<u>5,000</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 5,296,772</u>	<u>\$ 284,939</u>	<u>\$ 5,581,711</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2018**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND (page 24)	\$ 442,577
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$677,643 exceeded depreciation expense of \$627,086 in the period.</p>	50,557
<p>In the Statement of Activities, only the gain/loss on the disposition of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by costs of the capital assets disposed of \$218,639, less any accumulated depreciation of \$110,249.</p>	(108,390)
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (essentially, the amounts actually paid or expected to be paid within one year). This year, the change in vacation, sick, compensatory leave, and OPEB expense was \$100,627.</p>	(100,627)
<p>In the Statement of Activities, only the pension expense related to the changes in net pension liability is reported, whereas in the governmental funds, the actual amount contributed is an expenditure.</p>	198,426
<p>In the Statement of Activities, revenues are recognized when they are earned and received. In the governmental funds, revenues are recognized as income if they are available to satisfy current obligations. This is the amount of the increase in deferred inflows of resources in the governmental funds which is recognized as revenue in the Statement of Activities.</p>	69,785
<p>Long-term debt repayments are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt repayments for 2018.</p>	177,408
<p>Long-term debt proceeds are another financing source in the governmental funds, but the proceeds increase long-term liabilities in the Statement of Net Assets. This is the amount of long-term debt proceeds for 2018.</p>	(1,355,701)
<p>Interest expense in the Statement of Activities differs from the amount reported in governmental funds due to the net change in accrued interest.</p>	<u>2,693</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 21)	<u>\$ (623,272)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual - General Fund (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE				
Taxes - local	\$ 7,916,936	\$ 7,928,494	\$ 7,919,510	\$ (8,984)
Taxes - state shared	1,761,126	1,682,126	1,770,235	88,109
Licenses and permits	107,500	107,500	108,005	505
Revenues from other agencies	1,337,432	1,379,537	1,379,800	263
Service charges for current services	669,706	643,706	700,539	56,833
Fines	377,000	354,000	384,034	30,034
Miscellaneous	273,330	315,908	386,457	70,549
Total revenues	<u>12,443,030</u>	<u>12,411,271</u>	<u>12,648,580</u>	<u>237,309</u>
EXPENDITURES				
Current:				
General government	2,423,354	3,465,435	3,324,449	140,986
Public safety	3,901,086	3,930,021	3,933,393	(3,372)
Public works	3,297,951	3,273,604	3,230,228	43,376
Recreation and culture	162,550	162,550	155,766	6,784
Miscellaneous	2,949,753	2,825,192	2,765,697	59,495
Debt service	213,072	213,072	209,076	3,996
Total expenditures	<u>12,947,766</u>	<u>13,869,874</u>	<u>13,618,609</u>	<u>251,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(504,736)</u>	<u>(1,458,603)</u>	<u>(970,029)</u>	<u>488,574</u>
OTHER FINANCING SOURCES				
Equipment/vehicle proceeds	464,736	459,510	459,510	-
Energy Performance bond proceeds	-	873,238	896,191	(22,953)
Total other financing sources	<u>464,736</u>	<u>1,332,748</u>	<u>1,355,701</u>	<u>(22,953)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(\$40,000)</u>	<u>(\$125,855)</u>	385,672	<u>\$465,621</u>
FUND BALANCE - BEGINNING OF YEAR			4,640,438	
TRANSFER TO SPECIAL REVENUE FUND ART AMENITY RESERVE			<u>(5,000)</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,021,110</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues and Expenditures – Budget and Actual - Special Revenue Fund
(Non-GAAP Budgetary Basis)
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget Variance Positive (Negative)</u>
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 91,786	\$ 91,786	\$ 86,499	\$ (5,287)
Department of Natural Resources grant	211,595	405,600	405,600	-
State of Maryland bond bill	-	-	10,300	10,300
Community Legacy grant	150,000	150,000	150,000	-
Total - revenue from other agencies	453,381	647,386	652,399	5,013
Miscellaneous	<u>73,248</u>	<u>89,318</u>	<u>104,253</u>	<u>14,935</u>
Total revenues	<u>526,629</u>	<u>736,704</u>	<u>756,652</u>	<u>19,948</u>
EXPENDITURES				
General government	244,986	244,986	262,369	(17,383)
Public safety	19,800	19,800	12,334	
Public works	216,643	410,648	405,600	5,048
Recreation and culture	45,200	61,270	67,973	(6,703)
Total expenditures	<u>526,629</u>	<u>736,704</u>	<u>748,276</u>	<u>(19,038)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,376</u>	<u>\$ 910</u>
FUND BALANCE - BEGINNING OF YEAR			271,563	
TRANSFER FROM GENERAL FUND TO SPECIAL REVENUE FUND ART AMENITY RESERVE			<u>5,000</u>	
FUND BALANCE - END OF YEAR			<u>\$ 284,939</u>	

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Net Position – Proprietary Funds (Enterprise Funds)
June 30, 2018**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 570	\$ -	\$ 570
Restricted cash and cash equivalents	9,305	206,519	215,824
Accounts receivable	89,350	630,954	720,304
Loan receivable, The John Carroll School	-	26,493	26,493
Due from other funds	124,396	1,996,252	2,120,648
Total current assets	<u>223,621</u>	<u>2,860,218</u>	<u>3,083,839</u>
Noncurrent Assets			
Land	777,518	-	777,518
Capital assets, net	1,620,172	1,278,255	2,898,427
Other assets	-	132,804	132,804
Total noncurrent assets	<u>2,397,690</u>	<u>1,411,059</u>	<u>3,808,749</u>
Total assets	<u>2,621,311</u>	<u>4,271,277</u>	<u>6,892,588</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	128,182	832,953	961,135
Due to other funds	2,459	-	2,459
Unearned revenue	947	-	947
Notes payable	3,722	6,563	10,285
Bonds payable	31,464	169,236	200,700
Total current liabilities	<u>166,774</u>	<u>1,008,752</u>	<u>1,175,526</u>
Noncurrent Liabilities			
Accrued compensated absences	27,748	73,982	101,730
Notes payable - long-term	9,569	10,187	19,756
Bonds payable - long-term	180,517	1,097,613	1,278,130
Total noncurrent liabilities	<u>217,834</u>	<u>1,181,782</u>	<u>1,399,616</u>
Total liabilities	<u>384,608</u>	<u>2,190,534</u>	<u>2,575,142</u>
NET POSITION			
Invested in capital assets, net of related debt	2,172,418	(177,961)	1,994,457
Restricted	82,597	-	82,597
Unrestricted	(18,312)	2,258,704	2,240,392
TOTAL NET POSITION	<u>\$ 2,236,703</u>	<u>\$ 2,080,743</u>	<u>\$ 4,317,446</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Revenues, Expenses and Change In Net Position - Proprietary Funds
(Enterprise Funds)
Year Ended June 30, 2018**

	<u>Parking Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	\$ -	\$ 2,336,161	\$ 2,336,161
Sewer connection charges	-	92,815	92,815
Other revenues	-	31,675	31,675
User benefit fees	-	34,615	34,615
Highway and Streets			
Meter collections	180,586	-	180,586
Lease fees	69,189	-	69,189
Fines and Forfeitures			
Parking	153,369	-	153,369
Miscellaneous			
Miscellaneous income	12,300	-	12,300
County share operating expenses and capital repairs	312,414	-	312,414
Total operating revenues	<u>727,858</u>	<u>2,495,266</u>	<u>3,223,124</u>
OPERATING EXPENSES			
Salaries	-	157,286	157,286
Contractual services	-	1,310,519	1,310,519
Transfer to general fund - administrative costs	262,207	280,178	542,385
Supplies	-	2,886	2,886
Utilities	-	15,130	15,130
Depreciation	135,445	72,362	207,807
Amortization	-	24,248	24,248
Maintenance	12,681	84,430	97,111
Compensated absences	7,189	5,777	12,966
Other	4,474	26,152	30,626
Connection costs	-	92,815	92,815
User benefit fees	-	34,580	34,580
Postage	1,535	-	1,535
Insurance	17,638	8,821	26,459
Parking fine charges	32,550	-	32,550
Sustainability	-	13,204	13,204
Inflow and infiltration remediation	-	82,681	82,681
Garage operations, major repairs	377,227	-	377,227
Total operating expenses	<u>850,946</u>	<u>2,211,069</u>	<u>3,062,015</u>
Operating income (loss)	<u>(123,088)</u>	<u>284,197</u>	<u>161,109</u>
Non-Operating Revenue (Expenses)			
Investment income	6	1,619	1,625
Investment expenses	(8,585)	(35,899)	(44,484)
Net non-operating expenses	<u>(8,579)</u>	<u>(34,280)</u>	<u>(42,859)</u>
INCREASE (DECREASE) IN NET POSITION	(131,667)	249,917	118,250
NET POSITION, BEGINNING OF PERIOD	<u>2,368,370</u>	<u>1,830,826</u>	<u>4,199,196</u>
NET POSITION, END OF PERIOD	<u>\$ 2,236,703</u>	<u>\$ 2,080,743</u>	<u>\$ 4,317,446</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Cash Flows - Proprietary Funds (Enterprise Funds)
Year Ended June 30, 2018**

	Parking Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sewer charges	\$ -	\$ 1,871,961	\$ 1,871,961
Cash received from parking charges	740,789	-	740,789
Payments to suppliers	(690,028)	(1,584,952)	(2,274,980)
Payments to employees	-	(157,678)	(157,678)
Net cash provided by operating activities	<u>50,761</u>	<u>129,331</u>	<u>180,092</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt payments from loan receivable-John Carroll	-	17,165	17,165
Proceeds from sale of capital assets	-	6,064	6,064
Proceeds from bond	72,563	-	72,563
Cash payment of note principal	(3,653)	(33,887)	(37,540)
Cash payment of bond principal	(111,289)	(138,730)	(250,019)
Interest paid on long-term obligation	(8,382)	(36,754)	(45,136)
Acquisition of capital assets	(10,500)	(138,349)	(148,849)
Net cash (used in) financing activities	<u>(61,261)</u>	<u>(324,491)</u>	<u>(385,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>6</u>	<u>1,619</u>	<u>1,625</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,494)	(193,541)	(204,035)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,369</u>	<u>400,060</u>	<u>420,429</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,875</u>	<u>\$ 206,519</u>	<u>\$ 216,394</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (123,088)	\$ 284,197	\$ 161,109
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	135,445	96,610	232,055
Effects of changes in operating assets and liabilities:			
Accounts receivable	15,564	(42,184)	(26,620)
Due from other funds	(2,296)	(575,057)	(577,353)
Accounts payable	18,284	359,987	378,271
Unearned revenue	(337)	-	(337)
Compensated absences payable	7,189	5,778	12,967
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 50,761</u>	<u>\$ 129,331</u>	<u>\$ 180,092</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Fiduciary Net Position
June 30, 2018**

	<u>Pension</u>	<u>OPEB</u>
ASSETS		
Cash and cash equivalents	\$ 430,087	\$ -
Investments:		
Mutual funds	14,479,732	-
Fiscal agents	249,227	-
Pooled OPEB Trust	-	375,588
Total assets	<u>15,159,046</u>	<u>375,588</u>
LIABILITIES		
Accounts payable	<u>29,689</u>	<u>-</u>
NET POSITION		
Held in trust for pension/OPEB benefits	<u>\$ 15,129,357</u>	<u>\$ 375,588</u>

(See notes to financial statements for the plan's schedule of funding progress.)

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

**Statement of Changes In Fiduciary Net Position
Year Ended June 30, 2018**

	<u>Pension</u>	<u>OPEB</u>
ADDITIONS		
Contributions:		
Employer contributions	\$ 486,035	\$ 40,700
Employee contributions	441,299	-
Total contributions	<u>927,334</u>	<u>40,700</u>
Investment gain:		
Net increase in the fair value of investments	<u>1,276,636</u>	<u>22,387</u>
Total additions	<u>2,203,970</u>	<u>63,087</u>
DEDUCTIONS		
Benefit payments	695,950	-
Contractual services	<u>96,392</u>	<u>7,446</u>
Total deductions	<u>792,342</u>	<u>7,446</u>
CHANGE IN NET POSITION	1,411,628	55,641
NET POSITION HELD IN TRUST FOR PENSION/OPEB BENEFITS:		
BEGINNING OF YEAR	<u>13,717,729</u>	<u>319,947</u>
END OF YEAR	<u>\$ 15,129,357</u>	<u>\$ 375,588</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Bel Air, Maryland (the Town) was incorporated in 1874 by an act of the Maryland General Assembly and operates under a Council-Manager form of government. The Town provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, culture, recreation, public improvements, planning and zoning, and general administrative services.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect on interfund activity has been removed from these statements. Exceptions to this general rule are the interfund activity between the government funds and the fiduciary funds. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that are supported by customer service charges.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are clearly identifiable with a specific function or category. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, such as taxes, are reported as general revenues.

Separate financial statements are shown for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. The recorded amounts of enterprise fund financial instruments, including cash, investments, receivables, payables and long-term debt approximate fair value. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. For pension trust funds, employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Under the modified accrual method, revenues from federal and state expenditure-driven grant programs are deemed available and subject to accrual to the extent that eligible expenditures have been incurred and federal and state funds are requested to pay invoices when due. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, taxes collected by the state and county on behalf of the Town, franchise taxes, special assessments, revenue from other agencies, interest revenue and charges for services. Fines and forfeitures, licenses, permits, penalties and interest (on property taxes) and other revenues become measurable and available when cash is received by the Town and are recognized as revenue at that time.

The Town has two major governmental funds, the general fund and special revenue fund. The general fund is used to account for all activities of the government not accounted for in some other fund. The general fund accounts for the normal recurring activities of the Town such as police, public works, recreation and culture, general government, etc. These activities are financed primarily by property taxes, other taxes, licenses and permits, revenues from other governmental agencies and service charges. The special revenue fund is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result primarily from providing services and delivering goods in connection with the fund's principal ongoing operations such as charges to customers for sales and services and expenses such as salaries, operating expenses and depreciation. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Town has two proprietary funds, the sewer fund and the parking fund. The sewer fund accounts for all activities associated with the provision of sewerage services to the residents of the Town of Bel Air. The parking fund accounts for the cost and operation of the Town's parking facilities.

The Town has two fiduciary funds, the Sworn Officers Pension Trust and the Civilian Pension Trust. As fiduciary funds, the pension funds are used to account for assets held by the Town in a trustee capacity for individuals and retirees.

Assets, Liabilities and Net Position or Equity

Property Taxes

Taxes on real property are levied on a fiscal year basis as of July 1 and are delinquent after September 30. Taxes on business personal property are levied on a fiscal year basis as of July 1 and are delinquent three months after the monthly billing. Property taxes are attached as an enforceable lien on the underlying properties. General property taxes receivable as of June 30, 2018, amounted to \$5,144. Property tax revenue is recognized in the year levied and when it becomes available, including amounts expected to be collected soon enough after the end of the year to be used to pay liabilities of the current period.

Real and personal property taxes are levied at rates enacted by the Board of Commissioners in the annual budget resolution on the assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice, and only after public hearings.

In fiscal 2018, the personal property tax rate was \$1.10 per \$100 of assessed value and the real property tax rate was \$.50 per \$100 of assessed value.

Restricted Assets

Restricted cash in the general fund represents developers' deposits and cash in escrow from bank financings. Restricted cash in the parking fund and sewer fund represents cash designated for parking lot construction and cash in escrow from bank financings, respectively. When possible, restricted assets are used before unrestricted assets.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The Town defines capital assets, as those which cost more than \$2,500 and have an estimated useful life in excess of one year. Such assets are valued at historical or estimated historical cost if actual historical cost is not available. Donated assets are stated at their estimated fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or extend asset lives are not capitalized.

Expenditures for major assets and improvements are capitalized as projects are constructed. Interest on debt during the construction period is capitalized. The amount of interest to be capitalized is offset by interest income earned on investment proceeds over the same period. Exhaustible capital assets of the General Fund and Proprietary Funds are depreciated, which is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives are generally as follows:

<u>Category</u>	<u>Years</u>
Infrastructure	50
Land improvements	10 – 30
Buildings	25 – 40
Building improvements	7 – 40
Leasehold improvements	7 – 40
Machinery and equipment	3 – 45
Furniture and fixtures	5 – 15
Vehicles	5 – 20

Loan Receivable – The John Carroll School

On December 29, 2014, the Town of Bel Air and The John Carroll School signed a loan agreement in the amount of \$84,902. The amount was advanced by the Town on behalf of the School to pay its 50% share to construct a new sanitary sewer main that replaced the existing 15” sanitary sewer main. The interest rate is 2.29% with principal and interest payable semi-annually on June 29 and December 29 which will continue until December 29, 2019.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Town employees accumulate vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination or retirement. Earned vacation pay may be paid upon termination or retirement upon completion of one year's continuous service as a full-time employee. A maximum of 80 hours compensatory time may be converted to paid hours when a nonexempt employee retires, resigns, or is otherwise terminated. Fifty percent of earned sick pay to a maximum of 400 hours may be paid upon retirement, resignation or termination after completion of five years of service.

Accumulated Unpaid Vacation, Sick, Compensatory Pay and OPEB

As of June 30, 2018, the liability for Town employees for accrued vacation, sick and compensatory leave and OPEB was \$541,323, \$592,008, \$65,400, and \$856,679, respectively, based on the salary and wage rates in effect at the end of the fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities in accordance with generally accepted accounting principles.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

The government-wide and business-type activity financial statements utilize a net asset presentation. Net position are categorized as follows:

Net Investment in capital assets – This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt that are attributed to the acquisition, construction or improvement of these assets, reduce the balances in this category.

Restricted net position – This category represents external restrictions imposed by creditors, grantors, laws and regulations of other governments.

Unrestricted net position – This category represents the net position of the Town, not restricted for any purpose.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components- nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned – This component consists of amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted or committed. The authority for assigning fund balance is expressed by the Town Manager or their designee.

Unassigned – This classification represents amounts that have not been restricted, committed, or assigned to specific purposes within the general fund.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

The governmental funds Balance Sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation is non-current liabilities. Noncurrent liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but is recognized as an expenditure when due. All liabilities, both current and noncurrent are reported in the

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position. (Continued)

Statement of Net Position. The summary of the \$5,723,271 difference is as follows:

Harford County Liquor Board	\$	4,039
Equipment/vehicle obligations		683,270
Compensated absences/OPEB		1,953,681
Net pension liability		2,202,740
G.O. Bond 2018 Energy Performance Contract		879,541
		<hr/>
Total	\$	5,723,271
		<hr/> <hr/>

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities.

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between the net changes in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation is the purchase of capital assets as expenditures; however, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. The summary of the \$50,577 difference is found on page 25.

NOTE 3 – RECONCILIATION OF GAAP AND NON-GAAP EXPENDITURES

A reconciliation of expenditures of the general fund and special revenue fund to present the Statements of Revenues and Expenditures on a GAAP basis is as follows:

	<u>Revenues</u>	<u>Other Financing Sources</u>	<u>Expenditures</u>	<u>Current Year Effect on Fund Balance</u>
General Fund				
Budgetary basis	\$ 12,648,580	\$ 1,355,701	\$ 13,618,609	\$ 385,672
Current year encumbrances	-	-	(886,526)	886,526
Prior year encumbrances	-	-	837,997	(837,997)
	<hr/>	<hr/>	<hr/>	<hr/>
GAAP basis	<u>\$ 12,648,580</u>	<u>\$ 1,355,701</u>	<u>\$ 13,570,080</u>	<u>\$ 434,201</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By the first meeting in April, the Town Administrator submits the entire budget to the Board of Town Commissioners. The budget includes both the operating and capital equipment expenditures and the means of financing them. Also, work sessions and hearings are scheduled.
2. No later than the second Town meeting in April, the Town Board adopts a tentative budget. The Board may insert new budget items, delete items, and increase or decrease any items of the budget so presented. The tentative budget becomes a public record in the Office of the Director of Finance, open to public inspection by any resident or taxpayer of the Town.
3. Between the 15th and 31st of May, the Board must hold a public hearing on the tentative budget after two weeks' notice has been published in a newspaper with a general circulation within the Town.
4. The Town Administrator may transfer funds between appropriations for different purposes; however, it shall be approved by a majority of the Board of Town Commissioners before becoming effective.
5. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are treated as expenditures at the time purchase orders are issued. Budgetary comparisons presented for the general fund are on this non-GAAP basis.
6. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered.

NOTE 5 – CASH AND INVESTMENTS

Cash and Cash Equivalents

For purposes of statement presentation, all highly-liquid investments with a maturity of three months or less when purchased are considered to be cash and cash equivalents, which includes short-term funds held in the Maryland Local Government Investment Pool.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 5 – CASH AND INVESTMENTS (Continued)

Cash and Cash Equivalents (Continued)

A. Cash on hand

At year-end, cash on hand for petty cash and change funds was \$1,720.

B. Deposits

At year-end, the carrying amount of the Town's bank deposits was \$940,373, and the bank balance was \$1,116,153 of which \$913,393 was covered by federal deposit insurance and \$202,760 was covered by collateral. The deposits of the Town were not exposed to custodial credit risk as of June 30, 2018.

C. Cash equivalents

As of June 30, 2018, the Town's cash equivalents consisted of money market funds held by the Maryland Local Government Investment Pool totaling \$3,984,557.

Investments

Investments consist of Certificates of Deposit with varying maturities and interest rates ranging from .60% to 1.75% which are all covered by federal deposit insurance. Investments have maturities between July 2018 through July 2019.

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1 Year	1 to 2	2 to 3
Certificates of Deposit	<u>\$ 3,265,000</u>	<u>\$ -</u>	<u>\$ 3,265,000</u>	<u> </u>

Interest Rate Risk

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. To limit the Town's exposure to fair value losses arising from increasing interest rates, the Town's investment policy limits the term of investment maturities except in the fiduciary funds, for which longer term maturities are allowed to match the cash flow of liabilities. Town management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the Town from having to sell investments below original cost for that purpose. The investments at June 30, 2018, met the Town's investment policy as of that date. Investment income includes the following for the year ended June 30, 2018:

Net interest and dividends - governmental activities \$ 97,655

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 5 – CASH AND INVESTMENTS (Continued)

Credit Risk

Town investment policy does not permit investments in commercial paper or corporate bonds, except in fiduciary funds or if they are permitted under state law in the state investment pool. The Town invests in the Maryland Local Government Investment Pool (MLGIP), which is under the administration of the State Treasurer. The MLGIP was established in 1982 under Article 95, Section 22G of the Annotated Code of Maryland and is rated AAAM by Standard & Poors, their highest rating for money market mutual funds. The MLGIP seeks to maintain a constant value of \$1.00 per unit. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover all or a portion of the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, all of the Town's investments were insured or registered, or for which the securities were held by the Town or its agent in the Town's name or were invested in the MLGIP.

Statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements secured by direct government or agency obligations, and in Maryland Local Government Investment Pool.

Pension Investments

As of June 30, 2018, the Sworn Officers Pension Trust and the Civilian Pension Trust had the following investments and maturities in two of its mutual funds which include investments in bonds.

	Sworn Officers Pension Trust	Civilian Pension Trust	Weighted Average Maturity
T. Rowe Price			
New Income - I Fund	\$ 1,617,134	\$ 1,729,428	8.30 years
Short-term Bond - I Fund	592,752	607,422	2.23 years

The mutual funds are unrated. The Town's investments held by the Pension Trusts are reported at fair value.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 5 – CASH AND INVESTMENTS (Continued)

Pension Investments (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plans have the following recurring fair value measurements as of June 30, 2018:

- Mutual funds are valued using quoted market prices (Level 1 inputs); and
- Fiscal agents are valued based on the quoted market prices of the underlying assets (Level 2 inputs).

	As of June 30, 2018		
	Civilian 401 (a) Plan (Level 2)	Civilian Pension Trust (Level 1)	Sworn Officers' Pension Trust (Level 1)
ASSETS			
Cash and equivalents	\$ -	\$ 239,086	\$ 191,001
Investments:			
Mutual funds	-	7,392,470	7,087,262
Fiscal agents	249,227	-	-
Total assets	<u>249,227</u>	<u>7,631,556</u>	<u>7,278,263</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>15,310</u>	<u>14,378</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 249,227</u>	<u>\$ 7,616,246</u>	<u>\$ 7,263,885</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 6 – CHANGES IN CAPITAL ASSETS

Additions and disposals of fixed capital assets during the year ended June 30, 2018, are shown below:

	<u>Balance July 1, 2017</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2018</u>
Governmental Activities				
Land – not being depreciated	\$ 4,641,308	-	-	\$ 4,641,308
Buildings and improvements	6,002,132	181,598	-	6,183,730
Infrastructure	1,495,899	38,000	-	1,533,899
Machinery and equipment	1,134,802	2,695	32,761	1,104,736
Furniture and fixtures	1,285,791	51,415	-	1,337,206
Vehicles	2,943,016	403,935	185,878	3,161,073
Total	<u>17,502,948</u>	<u>677,643</u>	<u>218,639</u>	<u>17,961,952</u>
Less – accumulated depreciation	6,580,773	627,086	110,249	7,097,610
Capital assets, net	<u>\$ 10,922,175</u>	<u>\$ 50,557</u>	<u>\$ 108,390</u>	<u>\$ 10,864,342</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 6 – CHANGES IN CAPITAL ASSETS (Continued)

	<u>Balance July 1, 2017</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2018</u>
Proprietary Funds				
Parking fund:				
Land not being depreciated	\$ 777,518	-	-	\$ 777,518
Parking improvements	446,147	10,500	-	456,647
Garage	3,206,000	-	-	3,206,000
Parking vehicle	54,482	-	-	54,482
Equipment	2,265	-	-	2,265
	<u>4,486,412</u>	<u>10,500</u>	<u>-</u>	<u>4,496,912</u>
Sewer fund:				
Sewer pipes and storm drain	1,785,292	47,000	-	1,832,292
Equipment	400,256	91,349	8,495	483,110
Vehicle	310,936	-	15,314	295,622
	<u>2,496,484</u>	<u>138,349</u>	<u>23,809</u>	<u>2,611,024</u>
Total	6,982,896	148,849	23,809	7,107,936
Less – accumulated depreciation	3,247,993	207,807	23,809	3,431,991
Capital assets, net	<u>\$ 3,734,903</u>	<u>\$ (58,958)</u>	<u>\$ -</u>	<u>\$ 3,675,945</u>

Depreciation expense was charged to function/programs of the primary government as follows:

General government	\$ 265,795
Public safety	86,009
Public works	<u>275,282</u>
Total depreciation expense – governmental activities	<u>\$ 627,086</u>

As of June 30, 2018, accumulated depreciation for the parking fund and sewer fund amounted to \$2,099,221 and \$1,332,769, respectively. Depreciation expense for the year ended June 30, 2018, amounted to \$135,445 in the parking fund and \$72,362 in the sewer fund.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES

Non-current liability transactions of the Town for the year ended June 30, 2018, are presented below.

	<u>Balance July 1, 2017</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities					
Liquor Control Board employees' retirement system obligation	\$ 5,221	\$ -	\$ 1,182	\$ 4,039	\$ -
Equipment/vehicle notes	383,336	459,510	159,576	683,270	173,741
Accrued vacation, sick and compensatory leave/OPEB	1,853,053	100,628	-	1,953,681	-
Net pension liability	2,656,661	-	453,921	2,202,740	-
G.O. Bond 2018 Energy Performance	-	896,191	16,650	879,541	53,650
Total governmental activities liabilities	<u>\$ 4,898,271</u>	<u>\$ 1,456,329</u>	<u>\$ 631,329</u>	<u>\$ 5,723,271</u>	<u>\$ 227,391</u>
	<u>Balance July 1, 2017</u>	<u>Additions and Transfers</u>	<u>Disposals and Transfers</u>	<u>Ending Balance June 30, 2018</u>	<u>Due Within One Year</u>
Business-type activities					
Parking Fund:					
Parking garage bond, 2007	\$ 83,327	\$ -	\$ 83,327	\$ -	\$ -
Parking garage repairs bond, 2013	167,380	-	26,612	140,768	27,114
Parking jeep note	16,944	-	3,653	13,291	3,722
Parking garage bond (lighting retrofit), 2018	-	72,563	1,350	71,213	4,350
Accrued vacation, sick and compensatory leave / OPEB	20,559	7,189	-	27,748	-
Total parking fund debt	<u>288,210</u>	<u>79,752</u>	<u>114,942</u>	<u>253,020</u>	<u>35,186</u>
Sewer Fund:					
Infrastructure Bond 2006 Series A:					
20 year note	218,500	-	27,500	191,000	28,500
Sewer Fund I&I Services Bond, 2017A	400,000	-	40,000	360,000	40,000
Sewer Fund CIP/I&I Services Bond, 2013A	377,791	-	44,767	333,024	45,510
Sewer I&I Services/Main Replace. Bond, 2015	436,788	-	53,963	382,825	55,226
Sewer van and pick-up truck note	23,137	-	6,387	16,750	6,563
Accrued vacation, sick and compensatory leave / OPEB	68,204	5,777	-	73,981	-
Total sewer fund debt	<u>1,524,420</u>	<u>5,777</u>	<u>172,617</u>	<u>1,357,580</u>	<u>175,799</u>
Total business-type activities liabilities	<u>\$ 1,812,630</u>	<u>\$ 85,529</u>	<u>\$ 287,559</u>	<u>\$ 1,610,600</u>	<u>\$ 210,985</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

A. Governmental Activities

Bonds Payable

On July 19, 2017, the Town issued a not to exceed \$968,754 “Town of Bel Air \$968,754 General Obligation Energy Performance Bond, 2017B” to Branch Banking and Trust Company with an interest rate of 2.79% for the public purpose of providing funds needed to provide energy improvements to Town facilities. Of this amount, \$896,191 is included in the General Fund, while \$72,563 is included in the Parking Fund. Principal and interest is payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 53,650	\$ 24,304	\$ 77,954
2020	60,125	22,524	82,649
2021	50,730	21,039	71,769
2022	56,370	19,556	75,926
2023	57,953	17,973	75,926
2024-2028	315,126	64,507	379,633
2029-3032	285,587	18,212	303,799
Total	<u>\$ 879,541</u>	<u>\$ 188,115</u>	<u>\$ 1,067,656</u>

The Town has entered into several notes for the acquisition of capital equipment and vehicles. The interest rates on these notes range from 1.88% to 2.74% with maturity dates from July 15, 2018 to December 6, 2024.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 173,741	\$ 14,304	\$ 188,045
2020	137,900	10,736	148,636
2021	112,528	7,847	120,375
2022	86,264	5,444	91,708
2023	67,921	3,681	71,602
2024-2025	104,916	2,486	107,402
Total	<u>\$ 683,270</u>	<u>\$ 44,498</u>	<u>\$ 727,768</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

A. Governmental Activities (Continued)

Bonds Payable (Continued)

Accrued Liability for the Retirement System of the Employees of Harford County Liquor Control Board

In consideration of the immediate refund of the Town's investment of \$25,550 in the Liquor Dispensary System, the Town agreed during the year ended June 30, 1983, to share in the liquidation of the accrued liability for the retirement system of the employees of the Harford County Liquor Board. This agreement requires the Town to pay \$1,529 for the next 37 years to the Harford County Liquor Control Board. The present value of this liability, \$4,039, has been reflected in the governmental activities noncurrent liabilities in the Statement of Net Position.

B. Business-type Activities

Bonds Payable

On May 1, 2006, the Town of Bel Air entered into an agreement with Harford County, Maryland to borrow \$803,569 at an annual interest rate of 4.25%. The proceeds of the bond were used to refinance the parking garage debt.

The bond was issued in conjunction with a Joint Use and Lease Agreement of the public parking garage at Courtland Street and Hickory Avenue in the Town between Harford County, Maryland and the Town. The County and the Town continue to own 67.2% and 32.8%, respectively, of the garage. The Town continues to operate and maintain the garage, and the County will be responsible for reimbursing the Town for 67.2% of those costs. The bond was repaid during the year ended June 30, 2018.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On May 24, 2013, the Town of Bel Air issued a \$270,334 “Parking Garage Repairs Bond, 2013” to Harford Bank with an interest rate of 1.85% for the public purpose of providing funds necessary for the Town’s portion of the repairs to the parking garage, located at 16 S. Hickory Avenue, as well as professional engineering bidding and inspection services related to the project. Interest is payable semi-annually on August 15 and February 15 and will continue until February 15, 2023.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 27,114	\$ 2,512	\$ 29,626
2020	27,624	2,002	29,626
2021	28,140	1,486	29,626
2022	28,675	951	29,626
2023	29,215	411	29,626
	<u>\$ 140,768</u>	<u>\$ 7,362</u>	<u>\$ 148,130</u>

On July 19, 2017, the Town issued a not to exceed \$968,754 “Town of Bel Air \$968,754 General Obligation Energy Performance Bond, 2017B” to Branch Banking and Trust Company with an interest rate of 2.79% for the public purpose of providing funds needed to provide energy improvements to Town facilities. Of this amount, \$896,191 is included in the General Fund, while \$72,563 is included in the Parking Fund. Principal and interest is payable semi-annually on April 19 and October 19 and will continue until April 19, 2032.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,350	\$ 1,971	\$ 6,321
2020	4,875	1,826	6,701
2021	4,113	1,706	5,819
2022	4,571	1,811	6,382
2023	4,699	1,457	6,156
2024-2028	25,551	5,230	30,781
2029-3032	23,054	1,477	24,531
	<u>\$ 71,213</u>	<u>\$ 15,478</u>	<u>\$ 86,691</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On April 22, 2004, the Town of Bel Air entered into an agreement with the Maryland Department of Housing and Community Development, Community Development Administration, to borrow \$497,000 with interest at rates varying from 2.0% to 4.625% for the purpose of prepaying a sewer service agreement with Harford County. Interest is payable semi-annually. Principal and interest payments continue until May 1, 2024.

Fiscal Year	Principal	Interest	Total
2019	\$ 28,500	\$ 8,686	\$ 37,186
2020	29,500	7,440	36,940
2021	31,000	6,112	37,112
2022	32,500	4,718	37,218
2023	34,000	3,214	37,214
2024	35,500	1,642	37,142
Total	\$ 191,000	\$ 31,812	\$ 222,812

On June 11, 2013, the Town of Bel Air issued a \$551,700 “Sewer Fund CIP/I&I Services Bond, 2013A” to PNC Bank, National Association with an interest rate of 1.70% for the public purpose of providing funds needed to develop and publish a sewer system capital improvement plan as well as repairs to the sanitary sewer system in various areas. Interest is payable semi-annually on September 15 and March 15 and will continue until March 15, 2025.

Fiscal Year	Principal	Interest	Total
2019	\$ 45,510	\$ 5,509	\$ 51,019
2020	46,286	4,732	51,018
2021	47,077	3,941	51,018
2022	47,881	3,138	51,019
2023	48,698	2,320	51,018
2024-2025	97,572	2,132	99,704
	\$ 333,024	\$ 21,772	\$ 354,796

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Bonds Payable (Continued)

On January 5, 2015, the Town of Bel Air issued a \$569,802 “Sewer Fund I&I Services/Main Replacement Bond, 2015” to Harford Bank with an interest rate of 2.29% for the public purpose of providing funds needed for the repairs to the sanitary sewer system in various areas within the Town, as well as a sanitary sewer main replacement located on The John Carroll School property. Interest is payable semi-annually on April 1 and October 1 and will continue until October 1, 2024.

Fiscal Year	Principal	Interest	Total
2019	\$ 55,226	\$ 8,570	\$ 63,796
2020	56,497	7,300	63,797
2021	57,836	5,962	63,798
2022	59,186	4,611	63,797
2023	60,568	3,229	63,797
2024-2025	93,512	2,186	95,698
	<u>\$ 382,825</u>	<u>\$ 31,858</u>	<u>\$ 414,683</u>

On June 5, 2018, the Town of Bel Air issued a \$400,000 “Sewer Fund I&I Services Bond, 2017A” to PNC Bank, National Association with an interest rate of 2.58% for the public purposed of providing funds needed to purchase sewer equipment and to perform repairs to the sanitary sewer system in various areas within the Town. Interest is payable semi-annually on December 5 and June 5 and will continue until June 5, 2027.

Fiscal Year	Principal	Interest	Total
2019	\$ 40,000	\$ 9,030	\$ 49,030
2020	40,000	7,998	47,998
2021	40,000	6,966	46,966
2022	40,000	5,934	45,934
2023	40,000	4,902	44,902
2024-2027	160,000	9,288	169,288
	<u>\$ 360,000</u>	<u>\$ 44,118</u>	<u>\$ 404,118</u>

Notes Payable

On October 15, 2013, the Town of Bel Air entered into a notes payable purchase agreement with Santander Bank in the amount of \$154,987 of which \$44,171 was to finance the purchase of a sewer pick-up truck and a sewer cargo van. The interest rate is 2.74% with principal and interest payable semi-annually on April 15 and October 15 which will continue until October, 2020.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 7 – NON-CURRENT LIABILITIES (Continued)

B. Business-type Activities (Continued)

Notes Payable (Continued)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,563	\$ 414	\$ 6,977
2020	6,745	233	6,978
2021	3,442	47	3,489
	<u>\$ 16,750</u>	<u>\$ 694</u>	<u>\$ 17,444</u>

On September 30, 2014, the Town of Bel Air entered into a notes payable purchase agreement with PNC Bank, National Association in the amount of \$287,662 of which \$25,835 was to finance the purchase of a jeep for parking enforcement. The interest rate is 1.90% with principal and interest payable semi-annually on February 15 and August 15 which will continue until August, 2021.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,722	\$ 236	\$ 3,958
2020	3,793	165	3,958
2021	3,875	92	3,967
2022	1,901	19	1,920
	<u>\$ 13,291</u>	<u>\$ 512</u>	<u>\$ 13,803</u>

Total interest expense on long-term liabilities was \$76,152.

NOTE 8 – CONDUIT DEBT OBLIGATIONS

In 2007, the Town of Bel Air issued \$4.5 million in Economic Development Revenue Bonds pursuant to the Maryland Economic Development Revenue Bond Act to assist The Harford Day School, Incorporated in financing or refinancing the costs constructing a two-story addition to the school's existing field house, roof replacement for the library, improvements to the HVAC system controls and fire alarm systems, installations of a geothermal heating system, acquisition of a new phone system, miscellaneous classroom improvements, and acquisition of furnishings, fixtures and equipment in connection with the foregoing, and landscaping, roads, or other rights of access. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal balance of the bonds as of June 30, 2018, is \$3,335,000.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 9 – PENSION PLANS

Town of Bel Air, Maryland Retirement Plan and Trust

The Town of Bel Air provides pension benefits for all of its full-time vested terminated employees through the Town of Bel Air, Maryland Retirement Plan and Trust, a defined contribution plan which was established by and is amended under the conditions of Resolution 430 of the Board of Town Commissioners.

Investments held by the pension trust fund are with the ICMA-RC Retirement Trust. As of June 30, 2018, the plan assets at fair market value were \$249,227.

Town of Bel Air, Maryland Civilian Employees Pension Plan

On July 1, 2006, the Town of Bel Air established the Town of Bel Air Civilian Employees Pension Plan (Plan) which provides pension and death and disability benefits to non-sworn plan members and beneficiaries. In accordance with the Town Code, subject to approval by the Town Commissioners, pension plan provisions may be established or amended. The Plan is a single employer defined benefit pension plan administered by the Town of Bel Air. Responsibility for the administration and operation of the Plan is vested with an eleven member Board of Trustees.

The Plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

The Town uses the accrual basis of accounting for the Plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The investments consist of publicly traded mutual funds and their fair value is determined by reference to published trade journals.

Investments

The table below summarizes the target asset class weighting, along with the allowable ranges for each class.

<u>Investment Type</u>	<u>Range/Target</u>
Reserves	0% to 20%
Fixed Income	30% to 50%
Equity	50% to 70%

Funding Policy

The Plan requires active members to contribute to the System at the rate of 5.9% of covered compensation and the Town to contribute 8.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2018, plan assets at fair value totaled \$7,616,246.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Civilian Employees Pension Plan (Continued)

For 2018, the pension contribution was determined to be \$281,277. This contribution represents 8.7% of estimated payroll and reflects a 30-year amortization of the unfunded actuarial liability. The required contribution was determined as part of the July 1, 2017 actuarial valuation using the projected unit credit actuarial cost method.

Membership of the Plan

The membership consisted of the following as of July 1, 2017, the date of the latest actuarial valuation:

Active Plan members	8
Retirees and beneficiaries receiving benefits	58
Terminated Plan members entitled to but not yet receiving benefits	18
	<u>84</u>

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2018 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.80%
Fixed Income:	32%	2.60%
Cash and Equivalents:	3%	0.80%
Total Weighted Average Real Return	100%	4.63%
Plus Inflation		2.75%
Total Return w/o Adjustment		7.38%
Risk Adjustment		-0.13%
Total Expected Return		<u>7.25%</u>

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 6.75% for the first 14 years, 3.25% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy Table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$191,429. The Town's contribution for the year ended June 30, 2018 was \$285,031. As of June 30, 2018, there were 56 current employee participants in the Plan. A participant is fully vested after five years.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Civilian Employees Pension Plan (Continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Total pension liability	\$	8,742,164
Net position		<u>(7,616,245)</u>
Net pension liability	\$	<u>1,125,919</u>

Net position as a percentage of total pension liability is 87.1%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.25% as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net pension liability	<u>\$ 2,219,801</u>	<u>\$ 1,125,919</u>	<u>\$ 193,765</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized pension expense of \$187,930 for the Plan. As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual		
investment earnings	\$ -	\$ 148,715
Differences in actual versus expected experience	-	156,070
Changes in assumptions	-	455,838
Total	<u>\$ -</u>	<u>\$ 760,623</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Civilian Employees Pension Plan (Continued)

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2019	\$ (92,530)
2020	(127,239)
2021	(220,144)
2022	(149,002)
2023	(85,856)
After 2023	(85,852)
Total	<u><u>\$ (760,623)</u></u>

Town of Bel Air, Maryland Sworn Officers' Pension Plan

On July 1, 2003, the Town of Bel Air established the Town of Bel Air Sworn Officers' Pension Plan (Plan) which provides pension and death and disability benefits to plan members and beneficiaries. In accordance with the Town Code, subject to approval by the Town Commissioners, pension plan provisions may be established or amended. The Plan is a single employer defined benefit pension plan administered by the Town of Bel Air. Responsibility for the administration and operation of the Plan is vested with a five member Board of Trustees.

The Plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

The Town uses the accrual basis of accounting for the Plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the Plan. The investments consist of publicly traded mutual funds and their fair value is determined by reference to published trade journals.

Funding Policy

The Plan requires active members to contribute to the System at the rate of 11.62% of covered compensation, and the Town to contribute 9.7% of the members' covered compensation. Increases in the funding requirements, as determined by an actuary, shall be borne by the active members by adjusting the percent of the members' covered compensation to be contributed. As of June 30, 2018, plan assets at fair value totaled \$7,263,885.

For 2018, the pension contribution was determined to be \$130,508. This contribution represents 9.4% of estimated payroll and reflects a 30-year amortization of the unfunded actuarial liability. The required contribution was determined as part of the July 1, 2017 actuarial valuation using the projected unit credit actuarial cost method.

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers' Pension Plan (Continued)

Membership of the Plan

The membership consisted of the following as of July 1, 2017, the date of the latest actuarial valuation:

Active Plan members	1
Retirees and beneficiaries receiving benefits	31
Terminated Plan members entitled to but not yet receiving benefits	12
	<u>44</u>

Actuarial Assumptions

The long-term expected rate of return on pension plan investments was determined using a standard building block approach. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic assumed rates of return for each class included in the pension plans' general target asset allocation as of June 30, 2018 is as follows:

<u>Investment Type</u>	<u>% of Portfolio</u>	<u>Assumed Rate of Return</u>
Equities:	65%	5.80%
Fixed Income:	32%	2.60%
Cash and Equivalents:	3%	0.80%
Total Weighted Average Real Return	100%	4.63%
Plus Inflation		2.75%
Total Return w/o Adjustment		7.38%
Risk Adjustment		-0.13%
Total Expected Return		<u>7.25%</u>

The actuarial assumptions included (a) 7.25% investment rate of return, (b) projected salary increases of 5.5% for the first 15 years, 4.5% for the next 10 years, and 3.5% thereafter, (c) 2.75% inflation rate, and (d) rates of mortality, termination of service, disablement and retirement based on RP-2000 Combined Healthy table for Males and Females to the RP 2000 (Blue Collar), w/BB x 25 years; 50% applied for Active. The actual contribution by the members was \$239,984. The Town's contribution for the year ended June 30, 2018 was \$201,004. As of June 30, 2018, there were 31 current employee participants in the Plan. A participant is fully vested after five years.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers’ Pension Plan (Continued)

Net Pension Liability

The net pension liability is equal to the total pension liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Total pension liability	\$ 8,340,706
Net position	<u>(7,263,885)</u>
Net pension liability	<u>\$ 1,076,821</u>

Net position as a percentage of total pension liability is 87.1%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the plan, calculated using a discount rate of 7.25% as well as what the plan’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

	1.0% decrease 6.25%	Current rate 7.25%	1.0% increase 8.25%
Net pension liability	<u>\$ 2,110,573</u>	<u>\$ 1,076,821</u>	<u>\$ 201,844</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized pension expense of \$157,901 for the Plan. As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ -	\$ 148,709
Differences in actual versus expected experience	-	219,117
Changes in assumptions	-	307,631
Total	<u>\$ -</u>	<u>\$ 675,457</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

Town of Bel Air, Maryland Sworn Officers' Pension Plan (Continued)

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the pension expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2019	\$ (31,684)
2020	(64,587)
2021	(153,802)
2022	(89,955)
2023	(54,571)
After 2023	(280,858)
Total	<u>\$ (675,457)</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

The financial information for each plan as of and for the year ended June 30, 2018, is summarized as follows:

	As of June 30, 2018		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ASSETS			
Cash and equivalents	\$ -	\$ 239,086	\$ 191,001
Investments:			
Mutual funds	-	7,392,470	7,087,262
Fiscal agents	249,227	-	-
Total assets	<u>249,227</u>	<u>7,631,556</u>	<u>7,278,263</u>
LIABILITIES			
Accounts payable	-	15,310	14,378
NET POSITION			
Held in trust for pension benefits	<u>\$ 249,227</u>	<u>\$ 7,616,246</u>	<u>\$ 7,263,885</u>
	For the Year Ended June 30, 2018		
	Civilian 401 (a) Plan	Civilian Pension Trust	Sworn Officers' Pension Trust
ADDITIONS			
Contributions			
Employer contributions	\$ -	\$ 285,031	\$ 201,004
Employee contributions	-	191,429	249,870
Total contributions	-	476,460	450,874
Investment gain:			
Net increase in the fair value of investments	14,541	643,364	618,731
Total additions	<u>14,541</u>	<u>1,119,824</u>	<u>1,069,605</u>
DEDUCTIONS			
Benefit payments	50,285	303,500	342,165
Contractual services	-	48,061	48,331
Total deductions	<u>50,285</u>	<u>351,561</u>	<u>390,496</u>
CHANGE IN NET POSITION	(35,744)	768,263	679,109
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:			
BEGINNING OF YEAR	<u>284,971</u>	<u>6,847,982</u>	<u>6,584,776</u>
END OF YEAR	<u>\$ 249,227</u>	<u>\$ 7,616,246</u>	<u>\$ 7,263,885</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 9 – PENSION PLANS (Continued)

457 Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts (until paid or made available to the employee or other beneficiary) are held in trust, with the Town serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries, and the assets cannot be diverted to any other purpose. The Town's beneficial ownership of plan assets held in the ICMA Retirement Trust are held for the further exclusive benefit of the plan participants and their beneficiaries.

Investments are managed by the plan's trustee under 1 of 32 investment options, or a combination thereof. The plan's investments are reported at fair value. The choice of the investment option is made by the participant. Management of the Town has determined that the Town does not meet the fiduciary requirements under GASB 32 and therefore has not included the financial statement of the 457 plan in the Town's financial statements.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Total</u>
Due from Other Funds:					
General Fund	\$ -	\$ 124,704	\$ 1,989,261	\$ 124,396	\$ 2,238,361
Special Revenue	-	-	4,532	-	4,532
Parking Fund	-	-	2,459	-	2,459
Total	<u>\$ -</u>	<u>\$ 124,704</u>	<u>\$ 1,996,252</u>	<u>\$ 124,396</u>	<u>\$ 2,245,352</u>
Due to Other Funds:					
Sewer Fund	\$ 1,989,261	\$ 4,532	\$ -	\$ 2,459	\$ 1,996,252
Parking Fund	124,396	-	-	-	124,396
Special Revenue	124,704	-	-	-	124,704
Total	<u>\$ 2,238,361</u>	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ 2,459</u>	<u>\$ 2,245,352</u>

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS

The Town of Bel Air has instituted a program to provide health plan insurance to retired employees who are at least 55 years of age with at least 20 years of service. On July 1, 2009, the Town changed its benefit from a percentage of premium to a determined actual amount; however, the old benefit of a percentage of premium will remain in effect for those individuals who retired prior to January 1, 2009, which includes all of the retirees currently receiving the benefit. The premium amount paid by the Town is dependent upon the years of service by the retiree. The cost of the dependent care portion of the policy is born by the retiree unless he/she has at least 30 years of service. Participation in the program terminates at age 65. The Town recognizes the cost of the contribution in the year it is made. The total cost of the Plan to the Town for the year ended June 30, 2018, was \$7,692 for the five retired employees participating in the Plan and receiving benefits.

In fiscal year 2016, the Town joined the Maryland Association of Counties (MACO) Pooled OPEB Trust (The Trust). The Trust is a wholly-owned instrumentality of its name members including the Town. The Trust was formed to facilitate the investments of other post-retirement benefits trusts formed by the members to provide post-retirement benefits to their respective retirees. During the year ended June 30, 2018, the Town contributed \$40,700 to the Trust. As of June 30, 2018, the Town's share of the net position of the Trust was \$375,588. A separately audited financial statements of the Trust may be obtained by sending a request to the following address: Board of the MACO Pooled Investment Trust, 169 Conduit Street, Annapolis, MD 21401.

Funding Policy

On December 7, 2015, the Board of Town Commissioners approved Resolution No. 1061-15 which authorized the Town becoming a member of the Maryland Association of Counties Pooled OPEB Trust Fund. The Trust was established on January 27, 2015 to facilitate the investments of Other Postemployment Benefits (OPEB) by the members to provide post-retirement benefits to their respective retirees.

Membership of the Plan

The membership consisted of the following as of July 1, 2017, the date of the latest actuarial valuation:

Number of Participants	Total
Active	67
Retired	4
Spouse	1
Total Participants	<u>72</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018, and the final investment return assumption, are summarized in the following table:

Investment Type	% of Portfolio	Long-term Expected Real Return - Portfolio
Domestic Equity	36%	5.70%
International Funds	18%	5.85%
Fixed Income - U.S.	21%	2.70%
Hedge Funds	10%	3.50%
Real Estate	7%	4.25%
Private Equity	5%	7.65%
Commodities	3%	2.60%
Total Weighted Average Real Return	100%	4.78%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.28%
Risk Adjustment		-0.28%
Total Expected Return		7.00%

The actuarial assumptions included (a) 7.0% investment return, net of investment expense and including inflation, (b) 6.25% healthcare trend initially, grading down to 4.5% ultimately, (c) 2.50% inflation, (d) 3.0% salary increases, and (e) rates of mortality are based on the gender-specific RP 2000 Blue Collar tables (setback 2 years for civilians) projected to 2025 with Scale BB. A 50% factor is applied for pre-retirement.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (continued)

Net OPEB Liability

The net OPEB liability is equal to the total OPEB liability minus the net position of the plan. The result as of June 30, 2018 is as follows:

Total OPEB liability	\$1,232,267
Plan fiduciary net position	<u>(375,588)</u>
Net OPEB liability	<u>\$856,679</u>

Plan fiduciary net position as a percentage of the total OPEB liability	30.48%
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Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plan, calculated using the discount rate of 7.00% as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate:

	1% decrease 6%	Current Discount Rate 7%	1% increase 8%
Net OPEB liability	<u>\$ 971,641</u>	<u>\$ 856,679</u>	<u>\$ 752,078</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the Town as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.5 percent) or 1-percentage-point higher (5.5 percent) than the current healthcare cost trend rates.

	1% decrease 3.5%	Current Ultimate Trend Rate 4.5%	1% increase 5.5%
Net OPEB liability	<u>\$ 715,108</u>	<u>\$ 856,679</u>	<u>\$ 1,025,851</u>

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the Town recognized OPEB expense of \$190,830 for the Plan. As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected versus actual investment earnings	\$ 2,195	\$ -
Differences in actual versus expected experience	-	-
Changes in assumptions	-	-
Total	<u>\$ 2,195</u>	<u>\$ -</u>

The above amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in the OPEB expense as follows:

<u>Year ended June 30,</u>	<u>Net Amount of Outflow/(Inflow)</u>
2019	549
2020	549
2021	549
2022	548
2023	-
After 2023	-
Total	<u>\$ 2,195</u>

NOTE 12 – RISK MANAGEMENT

The Town's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For property, excess liability, primary auto and boiler and machinery liability coverage, the Town became a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Town pays LGIT an annual premium. Claims are processed and recoveries and administrative costs are paid by LGIT.

TOWN OF BEL AIR, MARYLAND

**Notes to Financial Statements
June 30, 2018**

NOTE 12 – RISK MANAGEMENT (Continued)

Similar to a commercial insurance carrier, recoveries are subject to deductibles and to annual aggregate/per occurrence dollar limits. Settled claims from these risks have not exceeded coverage for the past three fiscal years, and there has not been a reduction in insurance coverage in the past fiscal year. The Town is fully insured for worker’s compensation through the Injured Worker’s Insurance Fund of Maryland. Employees are bonded through commercial insurance carriers to limit the loss to the Town in the event of employees committing acts of embezzlement or theft.

NOTE 13– SPECIAL REVENUE FUND BALANCE

As of June 30, 2018, the Special Revenue Fund was designated for the following purposes:

Governmental Funds

Nonspendable:

Explorer Scouts	\$	2,226	
Auxillary Police		-	
Total Nonspendable		<u> </u>	\$ 2,226

Restricted:

Community Legacy Grant	50,000	
Greater Bel Air Community Foundation	-	
Seized property-Federal Treasury	22,073	
Total Restricted		72,073

Committed:

Tree planting – fee in lieu	1,347	
Tree planting – forest conservation	33,673	
Revolving loan fund	75,398	
Seized property	8,858	
Open space fee in lieu	8,450	
Stormwater management - fee in lieu	<u>549</u>	
Total Committed		128,275

Assigned:

Public amenity – gardens/park/art	43,802	
Memorials	398	
Cultural arts	12,002	
Explorer scouts	18,222	
Auxiliary police	<u>7,941</u>	
Total Assigned		<u>82,365</u>

Total fund balance \$ 284,939

TOWN OF BEL AIR, MARYLAND

Notes to Financial Statements June 30, 2018

NOTE 14 – RISK AND UNCERTAINTIES

The Town's pension plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment of securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Town receives grants from time to time. Expenditures from certain grants are subject to audit by the grantor, and the Town is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the Town's management, no material refunds will be required as a result of disallowed expenditures.

NOTE 16 – SUBSEQUENT EVENTS

On October 4, 2018, the Town issued a \$380,267 term note to Howard Bank for the public purpose of purchasing vehicles. Principal and interest is payable semi-annually on February 4 and August 4 and will continue until August 4, 2025.

NOTE 17- CHANGE IN ACCOUNTING PRINCIPLES/ RESTATEMENT

The Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the fiscal year ending June 30, 2018. The implementation of the statement required the Town to restate the beginning net OPEB liability. As a result, the net position restatement for the governmental activities decreased by \$821,678. The OPEB liability was calculated by actuarial consultants using July 1, 2017 valuation data with the Plan's liability rolled forward to a measurement date of June 30, 2018. The liability is adjusted for passage of time by adding normal cost minus benefit payments all adjusted with interest.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Changes in Net OPEB Liability and Related Ratios
June 30, 2018**

	2018	2017
Total OPEB liability		
Service Cost	\$ 45,142	\$ 43,827
Interest	81,824	75,600
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments and implicit subsidy	(36,324)	(27,476)
Net change in Total OPEB Liability	<u>90,642</u>	<u>91,951</u>
Total OPEB liability - beginning	1,141,625	1,049,674
Total OPEB liability - ending	<u>\$ 1,232,267</u>	<u>\$ 1,141,625</u>
Plan fiduciary net position		
Contributions - employer, including benefit payments and implicit subsidy	\$ 77,024	\$ 60,476
Contributions - member	-	-
Net investment income	20,751	25,757
Benefit payments and implicit subsidy	(36,324)	(27,476)
Administrative expense	(5,810)	(1,510)
Other	-	-
Net change in Plan Fiduciary Net Position	<u>55,641</u>	<u>57,247</u>
Plan fiduciary net position - beginning	319,947	262,700
Plan fiduciary net positions - ending	<u>\$ 375,588</u>	<u>\$ 319,947</u>
Net OPEB liability - ending	\$ 856,679	\$ 821,678
Plan fiduciary net position as a percentage of total OPEB liability	30.48%	28.03%
Covered employee payroll	\$ 5,239,219	\$ 5,086,620
Net OPEB liability as a percentage of covered payroll	16.35%	16.15%
Annual money-weighted rate of return	6.20%	7.64%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Contributions - OPEB
June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 85,721	\$ 85,721	\$ 62,149	\$ 62,149	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
Contributions in relation to the actuarially determined contribution	40,700	47,000	276,195	26,914	34,543	27,216	26,174	17,735	21,106
Contribution deficiency (excess)	<u>\$ 45,021</u>	<u>\$ 38,721</u>	<u>\$ (214,046)</u>	<u>\$ 35,235</u>	<u>\$ 25,457</u>	<u>\$ 32,784</u>	<u>\$ 33,826</u>	<u>\$ 42,265</u>	<u>\$ 38,894</u>
Covered payroll	\$5,239,219	\$5,086,620	\$4,728,430	\$4,546,567	\$4,503,535	\$4,698,425	\$4,711,551	\$4,704,679	\$5,056,737
Contributions as a percentage of covered payroll	0.78%	0.92%	5.84%	0.59%	0.77%	0.58%	0.56%	0.38%	0.42%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note to Schedule

Valuation date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level payment over a closed period of 30 years
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3%
Investment rate of return	7% net of OPEB investment expense, including inflation
Retirement age	The latter of 25 years of service and age 65

Mortality rates are based on the gender-specific RP2000 Blue Collar tables.

TOWN OF BEL AIR, MARYLAND

**Schedule of Civilian Employees Pension Plan Employer Contributions
June 30, 2018**

	Civilian				
	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 321,472	\$ 315,871	\$ 241,040	\$ 226,439	\$ 231,098
Interest	601,400	565,717	594,815	554,161	539,426
Differences between expected and actual experiences	(25,268)	(50,182)	80,719	(274,272)	-
Changes in assumptions	-	(607,784)	-	-	-
Benefit payments, including refunds of member contributions, death, & terminations	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
Net changes in total pension liability	594,104	(210,083)	587,452	167,891	517,170
Total pension liability - beginning	8,148,060	8,358,143	7,770,691	7,602,800	7,085,630
Total pension liability - ending (a)	<u>\$ 8,742,164</u>	<u>\$ 8,148,060</u>	<u>\$ 8,358,143</u>	<u>\$ 7,770,691</u>	<u>\$ 7,602,800</u>
Plan fiduciary net position					
Contributions - employer	\$ 285,031	\$ 268,835	\$ 263,915	\$ 248,724	\$ 254,690
Contributions - member	191,429	182,322	179,074	168,370	137,625
Net investment income	643,364	855,347	(16,141)	250,391	823,039
Receipts of In-kind	-	-	-	-	-
Benefit payments, including refunds of member contributions	(303,500)	(433,705)	(329,122)	(338,437)	(253,354)
Administrative expense	(48,061)	(42,569)	(55,379)	(39,481)	(39,113)
Net changes in plan fiduciary net position	768,263	830,230	42,347	289,567	922,887
Plan fiduciary net positions - beginning	6,847,982	6,017,752	5,975,405	5,685,838	4,762,951
Plan fiduciary net positions - ending (b)	<u>\$ 7,616,245</u>	<u>\$ 6,847,982</u>	<u>\$ 6,017,752</u>	<u>\$ 5,975,405</u>	<u>\$ 5,685,838</u>
Town's net pension - liability - ending (a) - (b)	\$ 1,125,919	\$ 1,300,078	\$ 2,340,391	\$ 1,795,286	\$ 1,916,962
Plan fiduciary net position as a percentage of total pension liability	87.12%	84.04%	72.00%	76.90%	74.79%
Covered employee payroll	\$ 3,276,716	\$ 3,147,119	\$ 2,739,570	\$ 2,634,202	\$ 2,693,914
Net liability as a percentage of covered payroll	34.36%	41.31%	85.43%	68.15%	71.20%
Annual money-weighted rate of return, net of investment expense	9.40%	14.30%	-0.30%	4.40%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Civilian Employees Pension Plan Employer Contributions
June 30, 2018**

	Sworn Officers				
	2018	2017	2016	2015	2014
Total pension liability					
Service Cost: Retirement benefits Administration	\$ 235,642	\$ 220,727	\$ 166,468	\$ 148,752	\$ 142,101
Interest	575,590	548,807	579,955	545,503	522,365
Differences between expected and actual experiences	(69,720)	(215,973)	107,963	(58,419)	-
Changes in assumptions	-	(369,157)	-	-	-
Benefit payments, including refunds of member contributions, death, & terminations	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
Net changes in total pension liability	399,347	(163,916)	446,916	320,503	371,015
Total pension liability - beginning	7,941,359	8,105,275	7,658,359	7,337,856	6,966,841
Total pension liability - ending (a)	<u>\$ 8,340,706</u>	<u>\$ 7,941,359</u>	<u>\$ 8,105,275</u>	<u>\$ 7,658,359</u>	<u>\$ 7,337,856</u>
Plan fiduciary net position					
Contributions - employer	\$ 201,004	\$ 194,064	\$ 183,050	\$ 179,762	\$ 171,769
Contributions - member	249,870	239,984	226,325	222,234	190,035
Net investment income	618,731	823,919	(13,096)	246,899	800,388
Receipts of In-kind	-	-	-	-	-
Benefit payments, including refunds of member contributions	(342,165)	(348,320)	(407,470)	(315,333)	(293,451)
Administrative expense	(48,331)	(40,844)	(54,700)	(37,215)	(37,599)
Net changes in plan fiduciary net position	679,109	868,803	(65,891)	296,347	831,142
Plan fiduciary net positions - beginning	6,584,776	5,715,973	5,781,864	5,485,517	4,654,375
Plan fiduciary net positions - ending (b)	<u>\$ 7,263,885</u>	<u>\$ 6,584,776</u>	<u>\$ 5,715,973</u>	<u>\$ 5,781,864</u>	<u>\$ 5,485,517</u>
Town's net pension - liability - ending (a) - (b)	\$ 1,076,821	\$ 1,356,583	\$ 2,389,302	\$ 1,876,495	\$ 1,852,339
Plan fiduciary net position as a percentage of total pension liability	87.09%	82.92%	70.52%	75.50%	74.76%
Covered employee payroll	\$ 2,137,595	\$ 1,939,501	\$ 1,988,860	\$ 1,912,365	\$ 1,809,621
Net liability as a percentage of covered payroll	50.38%	69.94%	120.13%	98.12%	102.36%
Annual money-weighted rate of return, net of investment expense	9.40%	14.40%	-0.20%	4.50%	17.20%

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Civilian Employees Pension Plan Employer Contributions
June 30, 2018**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 281,277	\$ 282,358	\$ 224,720	\$ 221,424	\$ 318,255
Contributions in relation to the actuarially determined contributions	(285,031)	(268,835)	(263,914)	(248,724)	(254,426)
Contributions deficiency (excess)	<u>\$ (3,754)</u>	<u>\$ 13,523</u>	<u>\$ (39,194)</u>	<u>\$ (27,300)</u>	<u>\$ 63,829</u>
Covered employee payroll	\$ 3,276,716	\$ 3,147,119	\$2,739,570	\$ 2,634,202	\$ 2,495,671
Contributions as a percentage of covered employee payroll	8.70%	8.54%	9.63%	9.44%	10.19%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.25% RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale
Mortality	BB; 50% applied for pre-retirement deaths. A two year ago setback is applied for members.
Turnover	T4
Salary Scale	6.75% for the first 14 years, 3.25% thereafter
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

TOWN OF BEL AIR, MARYLAND

**Schedule of Sworn Officers Pension Plan Employer Contributions
June 30, 2018**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 130,508	\$ 155,731	\$ 165,647	\$ 167,259	\$ 215,712
Contributions in relation to the actuarially determined contributions	<u>(201,004)</u>	<u>(194,064)</u>	<u>(183,050)</u>	<u>(179,762)</u>	<u>(171,769)</u>
Contributions deficiency (excess)	<u>\$ (70,496)</u>	<u>\$ (38,333)</u>	<u>\$ (17,403)</u>	<u>\$ (12,503)</u>	<u>\$ 43,943</u>
Covered employee payroll	\$2,137,595	\$ 1,939,501	\$1,988,860	\$ 1,912,365	\$ 1,396,968
Contributions as a percentage of covered employee payroll	9.40%	10.01%	9.44%	9.40%	12.30%

Notes to schedule

Valuation Date

Actuarially determined contributions rates are calculated as of July 1, 2017,
12 months prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Investment return	7.25% RP 2000 tables, with Blue Collar adjustments, projected to 2025 with Scale
Mortality	BB; 50% applied for pre-retirement deaths.
Turnover	T4
Salary Scale	5.5% for the first 15 years, 4.5% for the next 10 years, then 3.5% thereafter
Valuation of Assets	Market value as reported by the plan administrator, adjusted by a fraction of the investment (gains)/losses for the plan years preceding the current valuation year. Actuarial value can not exceed 120% of actual market value or be less than 80%.

Notes to schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SUPPLEMENTARY INFORMATION

TOWN OF BEL AIR, MARYLAND

**Schedule of Cash and Cash Equivalents - General Fund
June 30, 2018**

UNRESTRICTED

M&T Bank	
Checking	\$ 7,561
Payroll	1,000
Harco Maryland Federal Credit Union	
Savings	6
Money market	211,405
Aberdeen Proving Grounds Credit Union	
Money market	5
PeoplesBank	
Money market	595
First National Bank	
Checking	50
Freedom Federal Credit Union	
Money market	2,597
TD Bank	
Money market	246,459
Change fund	1,150
PNC Bank	
Local government investment pool	3,647,285
TOTAL UNRESTRICTED CASH	<u>\$ 4,118,113</u>

RESTRICTED

BB&T Bank	
Turner escrow	\$ 1,279
Harford Bank	
Savings	7,350
PNC Bank	
Cash in Escrow	246,241
Local Government Investment Pool - Bond Issue	132,220
Local Government Investment Pool - GO Energy Perf Bond	93,178
Local Government Investment Pool - 612 Rockspring Road	4,945
TOTAL RESTRICTED CASH	<u>\$ 485,213</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes - Local				
Real property	\$ 7,048,036	\$ 7,028,594	\$ 7,026,631	\$ (1,963)
Half-year real property	7,900	7,900	6,820	(1,080)
Personal property	6,000	6,000	10,076	4,076
Railroads and public utilities	370,000	401,000	401,134	134
Ordinary business corporations	500,000	500,000	499,485	(515)
Penalties and interest	35,000	35,000	29,994	(5,006)
<u>Deductions</u>				
Discounts allowed on taxes	(50,000)	(50,000)	(54,630)	(4,630)
Net local taxes	7,916,936	7,928,494	7,919,510	(8,984)
Taxes - State Shared				
Highway	421,126	442,126	441,535	(591)
Income taxes	1,300,000	1,200,000	1,264,670	64,670
Admission and amusement	40,000	40,000	64,030	24,030
Total taxes - State shared	1,761,126	1,682,126	1,770,235	88,109
Licenses and Permits				
<u>Business</u>				
Beer, wine and liquor	6,000	6,000	-	(6,000)
Traders	66,500	66,500	67,112	612
<u>Other Licenses and Permits</u>				
Building and equipment	35,000	35,000	40,893	5,893
Total - licenses and permits	107,500	107,500	108,005	505
Revenue from Other Agencies				
<u>Grants from State Government</u>				
Police protection	244,758	244,758	241,756	(3,002)
MIP grant	-	-	1,133	1,133
Governor's Office grant	-	2,110	2,110	-
Maryland Energy Administration grant	-	34,000	34,000	-
Miscellaneous grants	-	-	200	200
<u>Grants from the Federal Government</u>				
Bulletproof vest grant	5,007	5,007	5,167	160
Department of Natural Resources grant	-	5,995	5,995	-
<u>Grants from County Government</u>				
Miscellaneous grants	-	-	2,573	2,573
Financial corporations	8,458	8,458	8,458	-
Tax rebate	1,071,209	1,071,209	1,071,209	-
Traffic grants	8,000	8,000	7,199	(801)
Total - revenue from other agencies	1,337,432	1,379,537	1,379,800	263

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES (Continued)				
Service Charges for Current Services				
<u>General Government</u>				
MAWC well fees	14,000	3,000	3,944	\$ 944
Bel Air Armory fees	70,000	70,000	83,868	13,868
Finance fees	18,000	18,000	19,461	1,461
Zoning and subdivision fees	13,000	13,000	23,353	10,353
MD homebuilder guaranty fund	800	800	900	100
<u>Sanitation and Waste Removal</u>				
Sewer fund administrative fee	270,772	270,772	280,178	9,406
<u>Public Service Enterprises</u>				
Parking fund administrative fee	258,934	243,934	262,207	18,273
Reimbursement for police services	23,000	23,000	25,087	2,087
Police reports	1,200	1,200	1,541	341
Total - service charges for for current services	669,706	643,706	700,539	56,833
Fines				
Traffic signal camera	370,000	335,000	364,313	29,313
False alarm	7,000	19,000	19,721	721
Total - fines	377,000	354,000	384,034	30,034
Miscellaneous				
Interest	33,000	63,000	97,655	34,655
Hearing and ad reimbursement	1,600	1,600	1,559	(41)
Cable TV franchise	155,000	155,000	149,617	(5,383)
Police and DPW overtime reimbursement	20,000	28,935	17,336	(11,599)
Rental income	7,480	13,280	16,016	2,736
Seized property	2,000	7,929	17,451	9,522
Equipment/vehicle sale proceeds	45,250	16,500	38,964	22,464
Real estate proceeds	-	10,000	10,000	-
Rockfield Foundation contribution	-	-	531	531
Bel Air Alliance contribution	-	-	2,897	2,897
Local Government Insurance Trust grants	-	1,069	3,494	2,425
Miscellaneous	9,000	18,595	30,937	12,342
Total - miscellaneous	273,330	315,908	386,457	70,549
TOTAL REVENUES	\$ 12,443,030	\$ 12,411,271	\$ 12,648,580	\$ 237,309

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES				
General Government				
<u>Legislative</u>				
Commissioners				
Salaries	\$ 25,200	\$ 25,200	\$ 25,200	\$ -
Operating expenses	24,995	24,995	15,043	9,952
<u>Town Clerk</u>				
Salaries	291,328	291,328	290,936	392
Operating expenses	80,053	51,414	34,687	16,727
<u>Executive</u>				
Town Administrator				
Salaries	123,137	123,137	123,139	(2)
Operating expenses	29,436	29,436	27,226	2,210
Capital outlay	-	-	-	-
Transfer to Capital Reserve	20,000	30,000	-	30,000
<u>Elections</u>				
Registration and Election				
Operating expenses	3,330	3,330	3,144	186
<u>Finance</u>				
Salaries	335,524	306,024	304,171	1,853
Operating expenses	29,687	29,687	22,242	7,445
Actuarial valuations pension & OPEB	11,200	11,200	11,200	-
Independent auditing	18,360	15,780	15,780	-
<u>Law</u>				
Legal Counsel				
Operating expenses	36,500	36,500	28,195	8,305
<u>Planning and Zoning</u>				
Salaries	280,961	280,961	279,994	967
Operating expenses	68,962	51,096	44,743	6,353
Capital outlay	-	7,245	7,245	-
<u>Economic Development</u>				
Salaries	258,936	267,436	267,171	265
Operating expenses	85,435	85,435	83,610	1,825
Armory Marketplace	40,000	46,648	47,794	(1,146)
<u>General Services</u>				
<u>Municipal Buildings</u>				
Salaries	39,870	39,870	41,369	(1,499)
Operating expenses	199,290	242,580	240,528	2,052
Capital outlay	35,000	990,281	965,230	25,051
<u>Bel Air Reckord Armory</u>				
Salaries	63,616	63,616	64,968	(1,352)
Operating expenses	94,370	101,370	103,057	(1,687)
Capital outlay	20,000	30,584	-	30,584

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Other General Government</u>				
Community Promotion				
Operating expenses	\$ 8,400	\$ 8,400	\$ 8,408	\$ (8)
Public Officers' Association				
Operating expenses	17,078	17,078	17,078	-
<u>Technology</u>				
Operating expenses	128,686	159,324	156,288	3,036
Capital outlay	54,000	95,480	96,003	(523)
Total - general government	<u>2,423,354</u>	<u>3,465,435</u>	<u>3,324,449</u>	<u>140,986</u>
Public Safety				
<u>Administrative, Patrol and Investigation</u>				
Salaries	3,139,730	3,158,665	3,150,938	7,727
Operating expenses	291,773	301,773	314,018	(12,245)
Capital outlay	94,736	94,736	94,036	700
<u>Traffic Safety</u>				
Red light camera program	179,991	179,991	179,671	320
<u>Fire Department</u>				
Volunteer Company Contribution	156,460	156,460	156,460	-
<u>Protective Inspection</u>				
Other:				
Hydrant rental	38,396	38,396	38,270	126
Total - public safety	<u>3,901,086</u>	<u>3,930,021</u>	<u>3,933,393</u>	<u>(3,372)</u>
Public Works				
<u>General Administration</u>				
Salaries	615,287	584,287	577,626	6,661
Operating expenses	160,244	192,863	189,238	3,625
<u>Highways and Streets</u>				
Streets, Roadways and Alleys				
Salaries	491,165	464,115	436,969	27,146
Operating expenses	275,674	275,674	219,976	55,698
Sidewalk, curb and street construction	328,400	328,400	337,359	(8,959)
Capital outlay	157,000	159,389	159,389	-
Street Lighting				
Operating expenses	134,203	134,203	138,643	(4,440)

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual General Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EXPENDITURES (Continued)				
General Government (Continued)				
<u>Sanitation and Waste Removal</u>				
Waste Collection and Disposal				
Salaries	\$ 436,549	\$ 436,549	\$ 430,423	\$ 6,126
Operating expenses	165,800	165,800	173,753	(7,953)
Capital outlay	165,000	170,610	170,610	-
<u>Shop</u>				
Salaries	178,439	178,439	179,413	(974)
Operating expenses	190,190	183,275	216,829	(33,554)
Total - public works	<u>3,297,951</u>	<u>3,273,604</u>	<u>3,230,228</u>	<u>43,376</u>
Recreation and Parks				
<u>Participation Recreation</u>				
Operating expenses	114,900	114,900	114,937	(37)
<u>A & B Committee</u>				
Operating expenses	39,300	39,300	36,286	3,014
<u>Cultural Arts Committee</u>				
Operating expenses	8,350	8,350	4,543	3,807
Total - recreation and parks	<u>162,550</u>	<u>162,550</u>	<u>155,766</u>	<u>6,784</u>
Miscellaneous				
Disability insurance	17,700	17,700	14,362	3,338
Hospital insurance	1,264,800	1,197,800	1,196,925	875
Optical and dental plan	24,900	24,900	23,883	1,017
Social security	496,703	471,703	481,068	(9,365)
Life insurance	25,200	25,200	22,531	2,669
Pension and deferred compensation contributions	558,840	543,840	536,583	7,257
OPEB	47,000	47,000	47,519	(519)
Workmen's compensation	288,765	269,045	261,577	7,468
Transfer to leave payout reserve	30,000	30,000	-	30,000
Unemployment claims	200	1,430	631	799
General insurance	115,000	110,000	105,371	4,629
Contingency	9,000	9,000	15,063	(6,063)
Debt service	213,072	213,072	209,076	3,996
Contributions/donations	9,300	9,300	7,801	1,499
Miscellaneous	62,345	68,274	52,383	15,891
Total - miscellaneous	<u>3,162,825</u>	<u>3,038,264</u>	<u>2,974,773</u>	<u>63,491</u>
TOTAL EXPENDITURES	<u>\$ 12,947,766</u>	<u>\$ 13,869,874</u>	<u>\$ 13,618,609</u>	<u>\$ 251,265</u>
SUMMARY				
TOTAL REVENUES	\$ 12,443,030	\$ 12,411,271	\$ 12,648,580	\$ 237,309
TOTAL EXPENDITURES	<u>12,947,766</u>	<u>13,869,874</u>	<u>13,618,609</u>	<u>251,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (504,736)</u>	<u>\$ (1,458,603)</u>	<u>\$ (970,029)</u>	<u>\$ 488,574</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Revenue from Other Agencies				
CDBG grant	\$ 91,786	\$ 91,786	\$ 86,499	\$ (5,287)
Department of Natural Resources grant	211,595	405,600	405,600	-
State of Maryland bond bill	-	-	10,300	10,300
Community Legacy grant	150,000	150,000	150,000	-
Total - revenue from other agencies	<u>453,381</u>	<u>647,386</u>	<u>652,399</u>	<u>5,013</u>
Miscellaneous				
Rockfield Gardens gazebo	10,000	3,200	3,200	-
Historic preservation	1,700	1,700	870	(830)
Tree planting - forest conservation	15,000	15,000	33,000	18,000
Tree planting - fee in lieu	1,000	1,000	-	(1,000)
Stormwater management fee in lieu	5,048	5,048	-	(5,048)
Open space fee in lieu	2,000	2,000	-	(2,000)
Public amenity	5,000	5,000	-	(5,000)
Memorials	200	200	-	(200)
Transfer from General Fund seized property	5,000	5,000	-	(5,000)
Seized property-Federal Justice	800	800	1	(799)
Seized property-Federal Treasury	11,500	11,500	11,835	335
Explorer scouts	9,000	9,000	21,450	12,450
Auxiliary police	2,500	2,500	1,790	(710)
Cultural arts project	3,000	3,000	8,167	5,167
Shamrock Park renovation	-	22,870	22,870	-
Revolving loan fund	1,500	1,500	1,070	(430)
Total - miscellaneous	<u>73,248</u>	<u>89,318</u>	<u>104,253</u>	<u>14,935</u>
TOTAL REVENUES	<u>\$ 526,629</u>	<u>\$ 736,704</u>	<u>\$ 756,652</u>	<u>\$ 19,948</u>
EXPENDITURES				
General Government				
Historic preservation	\$ 1,700	\$ 1,700	\$ 870	\$ 830
Revolving loan fund	1,500	1,500	-	1,500
CDBG grant	91,786	91,786	86,499	5,287
Greater Bel Air Community Foundation grant	-	-	25,000	(25,000)
Community Legacy grant	150,000	150,000	150,000	-
Total - general government	<u>244,986</u>	<u>244,986</u>	<u>262,369</u>	<u>(17,383)</u>
Public Safety				
Seized property-internal	5,000	5,000	-	5,000
Seized property-Federal Justice	800	800	-	800
Seized property-Federal Treasury	11,500	11,500	9,930	1,570
Auxiliary police	2,500	2,500	2,404	96
Total - public safety	<u>19,800</u>	<u>19,800</u>	<u>12,334</u>	<u>7,466</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Budget (Non-GAAP Budgetary Basis) and Actual
Special Revenue Fund
Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)				
Public Works				
CDBG				\$ -
Plumtree Run Streambank project	211,595	405,600	405,600	-
Stormwater management - fee in lieu	5,048	5,048	-	5,048
Total - public works	<u>216,643</u>	<u>410,648</u>	<u>405,600</u>	<u>5,048</u>
Recreation and Parks				
Tree planting - forest conservation	15,000	15,000	3,042	11,958
Tree planting - fee in lieu	1,000	1,000	-	1,000
Explorer Scouts	9,000	9,000	10,725	(1,725)
Cultural arts project	3,000	3,000	11,806	(8,806)
Open space fee in lieu	2,000	2,000	-	2,000
Public amenity	5,000	5,000	6,030	(1,030)
Memorials	200	200	-	200
Shamrock Park renovations	-	22,870	22,870	-
Rockfield Park Pavilion	-	-	10,300	(10,300)
Rockfield Gardens gazebo	10,000	3,200	3,200	-
Total - recreation and parks	<u>45,200</u>	<u>61,270</u>	<u>67,973</u>	<u>(6,703)</u>
TOTAL EXPENDITURES	<u>\$ 526,629</u>	<u>\$ 736,704</u>	<u>\$ 748,276</u>	<u>\$ (11,572)</u>
Summary				
TOTAL REVENUES	\$ 526,629	\$ 736,704	\$ 756,652	\$ 19,948
TOTAL EXPENDITURES	<u>526,629</u>	<u>736,704</u>	<u>748,276</u>	<u>(11,572)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,376</u>	<u>\$ 8,376</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Parking Fund
Year Ended June 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
<u>Highways and Streets</u>			
Meter collections	178,000	180,586	2,586
Lease fees	65,640	69,189	3,549
Fines and Forfeitures			
Parking	110,446	153,369	42,923
Miscellaneous			
Miscellaneous income	-	12,300	12,300
County share operating expenses and capital repairs	341,464	312,414	(29,050)
Total - operating revenues	<u>695,550</u>	<u>727,858</u>	<u>32,308</u>
OPERATING EXPENSES			
Miscellaneous			
Compensated absences	-	7,189	(7,189)
Postage	1,400	1,535	(135)
Miscellaneous	1,300	1,800	(500)
Parking fine charges	23,769	32,550	(8,781)
Depreciation	145,177	135,445	9,732
Lots and Meters			
Transfer to general fund - administrative costs	171,923	158,764	13,159
Maintenance	3,000	5,943	(2,943)
Operating expenses	6,500	2,674	3,826
Parking Garage			
Transfer to general fund - administrative costs	87,011	103,443	(16,432)
Operating expenses	36,619	34,854	1,765
Insurance	17,564	17,638	(74)
Maintenance	7,000	6,738	262
Signage	24,000	23,095	905
Electrical conduit repair	120,000	98,050	21,950
Capital repairs	186,990	221,228	(34,238)
Total - operating expenses	<u>832,253</u>	<u>850,946</u>	<u>(18,693)</u>
Operating income (loss)	<u>(136,703)</u>	<u>(123,088)</u>	<u>13,615</u>
Non-operating Revenues (Expenses)			
Interest income - investment	10	6	(4)
Interest expense - parking garage renovations	(2,829)	(2,829)	-
- parking jeep	(280)	(280)	-
- lighting retrofit	(3,220)	(1,935)	1,285
- parking garage	(3,541)	(3,541)	-
Total - non-operating expenses	<u>(9,860)</u>	<u>(8,579)</u>	<u>1,281</u>
NET (LOSS)	<u>\$ (146,563)</u>	<u>\$ (131,667)</u>	<u>\$ 14,896</u>

TOWN OF BEL AIR, MARYLAND

**Schedule of Revenues and Expenditures Compared to Budget
Sewer Fund
Year Ended June 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Service Charges for Current Services			
Sanitation and Waste Removal			
Sewerage charges	2,406,055	2,336,161	(69,894)
Sewer connection charges	50,000	92,815	42,815
Other revenues	27,150	31,675	4,525
User benefit fees	34,510	34,615	105
	<u>2,517,715</u>	<u>2,495,266</u>	<u>(22,449)</u>
OPERATING EXPENSES			
Salaries - direct and on call time	125,102	125,204	(102)
- overtime	29,196	32,082	(2,886)
Compensated absences	-	5,777	(5,777)
Contractual services	1,636,998	1,310,519	326,479
Amortization	24,248	24,248	-
Supplies	2,862	2,886	(24)
Utilities	14,300	15,130	(830)
Misc Utility fees	3,000	2,359	641
Depreciation	77,167	72,362	4,805
Maintenance	25,000	25,090	(90)
Connection costs	50,000	92,815	(42,815)
Water company charges	2,170	2,279	(109)
Contingency	17,500	18,545	(1,045)
Transfer to general fund - administrative costs	270,772	280,178	(9,406)
User benefit fee	34,510	34,580	(70)
Root control maintenance	35,000	34,849	151
Main and lateral repairs	22,000	24,491	(2,491)
Insurance	14,000	8,821	5,179
Transfer to SSCI reserve	80,000	-	80,000
Sanitary sewer station emergency generators	-	82,681	(82,681)
Sustainability	14,850	13,204	1,646
Miscellaneous	3,049	2,969	80
Total - operating expenses	<u>2,481,724</u>	<u>2,211,069</u>	<u>270,655</u>
Operating income	35,991	284,197	248,206
Non-operating Revenues (Expenses)			
Interest income - investment	902	1,619	717
Non-operating expense - interest	<u>(36,893)</u>	<u>(35,899)</u>	<u>994</u>
Total non-operating expenses	<u>(35,991)</u>	<u>(34,280)</u>	<u>1,711</u>
NET INCOME	<u>\$ -</u>	<u>\$ 249,917</u>	<u>\$ 249,917</u>

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